CONTENTS

DIRECTORS' REPORT

The names and details of the Company's Directors in office during the year and until the date of this report are set out below. All directors were in office for the entire period unless otherwise stated.

1. Directors

The Directors of Capricorn Investment Partners Limited (the Company) present their report for the year to 30 June 2014.

David M French, B.Ec

Chairman from 30 September 2013 to present : David French holds a Bachelor of Economics (Flinders) and a Diploma in Management (Institute of Corporate Managers, Secretaries, and Administrators), as well as a number of vocational qualifications. He has run the business since its inception in 2001. In previous employment, David was a rated investment analyst, working at organisations including SBC Warburg (now UBS) and Portfolio Partners Limited. David is treasurer of the Home Support Association, which provides support services for the disabled, and he is actively involved in supporting regional economic development and the local music industry.

Owen Evans, B.A. (Honours) M.Sc (Econ) (appointed 8 August 2014)

Owen Evans is an experienced investment professional with almost 30 years' experience in research, valuation and funds management. He has been rated number one analyst for building materials, construction and emerging companies while at UBS Australia and judged Money Management Fund Manager of the Year in 2005 and 2006 as Chief Investment officer at MIR Australia. Between 1997 and 2010, Mr Evans was sole analyst on the IPO's of Bristile, AWB, Transfield Services, Worley Parsons and NRW. He is currently principal of Yaz Investment Pty Ltd, and provides consulting services for mid-sized Australian companies such as Adelaide Brighton, Brickworks Ltd, Calibre Global, and Dulux. He also provides investment consulting advice for global fund managers. Mr Evans is currently non-Executive President of the Manly Warringah Basketball Association and is a Director of the Sydney Harbour Foreshore Authority.

Graeme Fowler, B.Bus, CPA, MAICD (appointed 26

Graeme Fowler is Chief Executive Officer of ILH Group Limited. He was previously Chief Executive Officer of listed accounting and financial services aggregator Crowe Horwath Australasia Ltd (formerly WHK Group Limited). He brings specific experience in the successful aggregation of professional services firms. He spent over 15 years in senior management roles with BT Financial Group including Group Chief Financial Officer of BT Global Funds Management, CEO of BT Funds Management NZ, and CEO of BT Portfolio Services (including BT Wrap). Mr Fowler is also a non-executive Director of Countplus Limited.

Mr Fowler is a business studies graduate of the University of Technology, Sydney, and a Certified Practicing Accountant.

During the past three years, Mr Fowler served as a Director of Countplus Limited (appointed 19 August 2010).

Stephen J Moss (resigned 15 August 2014)

Chairman from 5 December 2011 to 30 September 2013 : Dr Stephen Moss is a professional Director, advisor, and mediator with a background in law, psychology, and business. Stephen's career includes 14 years as a Partner and Managing Partner of Price Waterhouse and Coopers and Lybrand (now PWC) and Managing Director of a number of consulting services firms including the largest contractor based ODA firm in the Region. His specialisation is managing change in professional services firms. He has undertaken a number of governance and management reviews of major law firms both in Australia and overseas and has advised on the merger potential of law firms across the world. Another specialisation is in M&A and the capital management in professional service firm transactions, representing either the buyer or seller. He has also advised in the IPO and public market sectors. He works as an advisor on strategy, structure, acquisitions, capital and asset sales.

Michael J Cranny (resigned 26 September 2013)

Chairman until 5 December 2011 : Business owner, joined the board on 1 February 2006. He is also Chairman of Tropical Pines Pty Ltd, Australia's largest pineapple packer and marketer, and a partner in Valley Syndicate Farming. He is also deputy Chairman of Capricorn Enterprise, the regional economic development and tourism board. Mick has held other senior positions including Councillor of the Livingstone Shire, Chairman of Freshmark Limited and Board member of Freshmark Holdings. He is a member of the Australian Institute of Company Directors.

Company Secretary

The Company Secretary in office at the date of this report is Reena Minhas.

DIRECTORS' REPORT (continued)

2. Dividends

No dividends were paid or declared in respect of the year ended 30 June 2014 and Directors do not currently recommend the payment of a dividend. (2013 : no dividends.)

3. Principal Activity

The principal activities of the company during the financial year were providing financial planning and related services as an Australian Financial Services Licensee. The Company also provided consulting services to a range of entities under its own trading name and as Eaton Capital. The Company also acts as the Responsible Entity for the Capricorn Diversified Investment Fund and the Merchant Opportunities Fund.

4. Operating and Financial Review

For the year to 30 June 2014, the Company recorded a net loss after tax of $1,358,218 (2013 - loss of $251,878).

5. Company Status

Capricorn Investment Partners Limited is an unlisted public company incorporated under the Corporations Act 2001.

6. Significant Changes in the State of Affairs

Effective 1 September 2013, the shareholders of the Company agreed to sell all their shares in the Company to ILH Group Limited, an ASX-listed company. In association with this transaction, the Company simultaneously acquired The Pentad Group, a financial planning business located in Melbourne. Effective 15 May 2014, the Company sold its Eaton Consulting business back to the original vendor.

7. Significant Events After Balance Date

On 23 October 2014, the vendors of The Pentad Group business formally agreed to a variation in the terms of the deferred consideration payable to them by the Company. The most important effect of the variation is to replace the obligation to pay to the Pentad vendors the two instalments of $949,500 in cash that were otherwise due on 1 October 2014 and 1 October 2015 with an obligation to issue ILH Group Limited ordinary shares of an equivalent value. Further details are provided in Note 19 to the financial statements.

The Directors consider that the revised agreement with the Pentad vendors represents a condition that arose after the end of the reporting period on 30 June 2014, and consequently constitutes a non-adjusting event as described by AASB 110. The financial statements and notes therefore do not reflect the subsequent change from the originally agreed cash settlement to settlement via the issue of ILH Group Limited shares.

Other than the above, no matters or circumstances have arisen since 30 June 2014, which have significantly affected or may significantly affect the operations of the Company or the Company, the results of those operations, or the state of affairs of the Company or the Company in subsequent financial years.

8. Likely Developments

The Company will be working to integrate its business and operations with ILH and the Pentad Group.

9. Indemnification of Directors and Officers

The Company has entered into agreements to indemnify Directors, and the Company Secretary against certain liabilities which they may incur as a result of or by reason of (whether solely or in part) being or acting as an officer of the Company. The agreement requires the Company to indemnify officers of the Company to the maximum extent permitted by the *Corporations Act 2001.*

At the date of this report no amounts have been paid in relation to indemnity of any Director or officer of the Company and no contracts insuring officers of the Company have been entered into.

The Company provides an indemnity to its auditor under Professional Standards Legislation to the extent required under the *Corporations Act 2001.*

DIRECTORS' REPORT (continued)

10. Environmental Regulation

The Company's operations are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

11. Share Options

The Company has no outstanding share options.

12. Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

13. Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

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

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* . The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor:

	2014 $	2013 $
Tax and accounting compliance services	13,640	8,770

Signed in accordance with a resolution of the Directors

David French
Director
30 October 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Capricorn Investment Partners Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

C J M King
Partner

Brisbane, Queensland
30 October 2014

HLB Mann Judd (SE Qld Partnership) ABN 68 920 406 716
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FINANCIALS

Statement of Comprehensive Income
for the Year Ended 30 June 2014

	Note	2014 $	2013 $
Revenue			
Financial planning and insurance		3,145,479	1,333,478
Consulting		135,088	1,064,913
Share trading revenue		155,172	129,175
Management and administrative services		100,764	65,930
Authorised representative fees		156,431	135,033
Gain on disposal of business		-	75,201
Interest income		1,616	10,019
Trust distributions		1,197	1,622
Total revenue		**3,695,746**	**2,815,372**
Expenses			
Employee benefits expenses		2,281,369	1,178,642
Administration expenses		804,646	861,713
Bad and doubtful debts		49,436	-
Insurance		107,775	89,666
Commission, consulting, and subcontractor expenses		180,885	381,507
Occupancy costs		171,205	111,050
Depreciation and amortisation expense		36,735	37,490
Finance costs		5,869	18,226
Loss on disposal of financial assets		-	2,741
Loss on disposal of fixed assets		2,818	-
Interest expense on deferred acquisition consideration		177,175	-
Impairment of intangible assets	8	196,586	-
Impairment of assets held for distribution	25	585,700	-
Impairment of work in progress		-	366,500
Total expenses		**4,600,198**	**3,047,534**
Profit / (loss) before tax from continuing operations		**(904,453)**	**(232,163)**
Income tax expense from continuing operations	3	186,570	19,716
Profit / (loss) after tax for the year from continuing operations		**(1,091,023)**	**(251,878)**
Profit / (loss) after tax from discontinued operations	27	(267,194)	**-**
Profit / (loss) after tax		**(1,358,218)**	**(251,878)**
Other comprehensive income			
Unrealised gain / (loss) arising on revaluation of available for sale assets		-	2,922
Other comprehensive income for the year (net of tax)		-	2,922
Total comprehensive income for the year		**(1,358,218)**	**(248,956)**

The accompanying notes form part of these financial statements

FINANCIALS (continued)

Statement of Comprehensive Income (continued)
for the Year Ended 30 June 2014

	Note	2014 $	2013 $
Profit / (loss) attributable to :			
Owners of the company		(1,358,218)	(251,878)
Non-controlling interests		-	-
		(1,358,218)	**(251,878)**
Total comprehensive income attributable to :			
Owners of the company		(1,358,218)	(248,956)
Non-controlling interests		-	-
		(1,358,218)	**(248,956)**

The accompanying notes form part of these financial statements

FINANCIALS (continued)

Statement of Financial Position
as at 30 June 2014

	Note	2014 $	2013 $
Current Assets			
Cash and cash equivalents		83,824	172,289
Trade and other receivables	4	753,477	454,300
Loans to related parties	5	949,500	-
Prepayments & deposits		40,204	91,933
		1,827,005	718,522
Non-current assets classified as held for sale	25	781,334	-
Total Current Assets		**2,608,340**	**718,522**
Non Current Assets			
Security deposits		54,012	8,700
Loans to related parties	5	3,163,306	-
Plant and equipment	6	54,195	66,548
Intangible assets	8	7,654,543	1,547,902
Deferred tax assets	3	268,768	167,880
Total Non Current Assets		**11,194,824**	**1,791,030**
Total Assets		**13,803,163**	**2,509,552**
Current Liabilities			
Trade and other payables	9	516,066	255,848
Income in advance	10	316,085	-
Current tax payable		78,640	117,960
Employee entitlements	12	316,876	105,101
Deferred consideration on business acquisition	14	949,500	-
Borrowings	11	-	9,869
		2,177,168	488,778
Current liabilities associated with assets held for sale	25	80,551	-
Total Current Liabilities		**2,257,719**	**488,778**
Non Current Liabilities			
Borrowings	11	-	22,333
Deferred consideration on business acquisition	14	2,637,591	-
Employee entitlements	12	56,549	7,432
Total Non Current liabilities		**2,694,140**	**29,765**
Total Liabilities		**4,951,858**	**518,543**
Net Assets		**8,851,305**	**1,991,009**
Equity			
Contributed equity	15	11,063,609	2,845,095
Retained profits / (accumulated losses)		(2,212,304)	(854,086)
Total Equity		**8,851,305**	**1,991,009**

The accompanying notes form part of these financial statements

FINANCIALS (continued)

Statement of Changes in Equity
for the Year Ended 30 June 2014

	Contributed Equity	Reserves	Retained Profits	Total Equity
	$		$	$
Balance at 1 July 2012	2,104,739	(2,922)	(602,208)	1,499,609
Profit / (Loss) for the year	-	-	(251,878)	(251,878)
Other comprehensive income	-	2,922	-	2,922
Transactions with equity holders in their capacity as equity holders				-
Issue of shares	1,700,000	-	-	1,700,000
Cancellation of shares	(462,816)	-	-	(462,816)
In-specie return of capital	(496,828)	-	-	(496,828)
Balance at 30 June 2013	**2,845,095**	**-**	**(854,086)**	**1,991,009**
Profit / (Loss) for the year	-	-	(1,358,218)	(1,358,218)
Transactions with equity holders in their capacity as equity holders				
Issue of shares	8,218,514	-	-	8,218,514
Balance at 30 June 2014	**11,063,609**	**-**	**(2,212,304)**	**8,851,305**

The accompanying notes form part of these financial statements

FINANCIALS (continued)

Statement of Cash Flows
for the Year Ended 30 June 2014

Cash flows from operating activities	Note	2014 $	2013 $
Receipts from customers		3,908,140	2,352,003
Interest received		1,616	10,019
Payments to suppliers and employees		(4,043,482)	(2,471,900)
Interest paid		(5,869)	(18,226)
Share trading commissions		155,172	129,175
Refund / (payment) of deposits		(7,831)	8,055
Refund / (payment) of income tax		(39,320)	8,572
Net cash outflows from operating activities	16	**(31,575)**	**17,699**
Cash flows from investing activities			
Payments for business acquisitions		(3,293,250)	(330,000)
Proceeds from disposal of business		-	940,000
Proceeds from sale of motor vehicle		32,081	-
Payments for plant and equipment		(29,408)	(12,690)
Payments for development of software		(26,000)	-
Sale of investments / capital returns		-	71,325
Purchase of financial instruments		-	(4,791)
Loans repaid by Related Entities		-	85,223
Net cash inflows / (outflows) from investing activities		**(3,316,577)**	**749,068**
Cash flows from financing activities			
Repayment of borrowings		(33,563)	(403,243)
Issue of ordinary shares to Related Entities		3,293,250	-
Net cash inflows / (outflows) from financing activities		**3,259,687**	**(403,243)**
Net increase / (decrease) in cash and cash equivalents		(88,465)	363,524
Cash and cash equivalents at the beginning of the financial year		172,289	(191,236)
Cash and cash equivalents at the end of the financial year		**83,824**	**172,289**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014)

1. Corporate Information

Capricorn Investment Partners Limited (the Company) is a company limited by shares incorporated and domiciled in Australia. The Company's shares are not listed on any securities exchange.

The Company is a wholly owned subsidiary of ILH Group Limited, a company listed on the Australian Securities Exchange.

The principal place of business of the Company is Suite 18, Suncorp House, 103 Bolsover Street, Rockhampton Queensland.

The registered office of the Company is Level 8, Wesfarmers House, 40 The Esplanade, Perth Western Australia.

In addition to its other business activities, the Company also acts as Responsible Entity of Capricorn Diversified Investment Fund and the Merchant Opportunities Fund.

These financial statements were authorised for issue by the Directors of the Company on 30 October 2014.

2. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

The financial statements relate to Capricorn Investment Partners Limited.

Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs, apart from financial assets which have been measured at fair value.

The financial statements have been prepared on a going-concern basis which anticipates that the Company will continue to conduct its business, and realise its assets and discharge its liabilities in the normal course of business.

Compliance with IFRS's

This financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Financial Instruments

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those assets classified at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following categories; available for sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available for Sale Financial Assets

All listed and unlisted shares, together with investments in unlisted managed investment schemes and property trusts held by the Company, are classified as available for sale and are stated at fair value. This treatment reflects the Company's intention to hold the investments for long term returns and income rather than as active trading assets. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the financial assets reserve, with the exception of impairment losses, interest calculated using the effective interest method, and losses on monetary assets, all of which are recognised in the profit and loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to the profit or loss.

Dividends on available for sale equity instruments are recognised in the profit or loss when the Company's right to receive dividends is established.

2. Statement of Significant Accounting Policies (continued)

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cashflows of that investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets carrying amount and the present value of future cashflows, discounted at the financial asset's original effective interest rate.

The carrying of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Where the trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available for sale financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS financial assets, impairment losses previously recognised in the profit or loss are not reversed through the profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of Financial Assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and the associated liability for any amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for any proceeds received.

Financial Liabilities and Equity Instruments Issued

Classification of Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial Liabilities

Financial liabilities are initially measured at fair value, net of transaction costs.

Derecognition of Financial Liabilities

The Company derecognises a financial liability when, and only when, the Company's obligations are discharged, cancelled, or they expire.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

2. Statement of Significant Accounting Policies (continued)

Fair Value Estimation

As previously noted, the Company has investments in both listed and unlisted entities. Listed entities, that is, those traded in an active market, are valued by reference to their ASX bid price at year end.

The fair value of instruments that are not traded in active markets is determined using valuation techniques. The Company may use a variety of methods and makes assumptions that are based on market conditions existing at balance date.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits available on demand at banks, other short term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Issued Capital

Ordinary shares are classified as equity.

Transaction costs (net of tax) arising on the issue of ordinary shares are recognised in equity as a reduction of the share proceeds received.

Where shares are issued for no consideration, the fair value of the shares issued is charged to the profit and loss in the year of issue.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Major items of revenue are recognised as follows:

Provision of Services

Service-sourced revenue is recognised when services have been provided to clients.

Gains or Losses from Other Financial Assets held for Trading

Net gains or losses realised from the sale of other financial assets held for trading are included in the profit or loss at trade date.

Interest Income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

Dividends and distributions are recognised when the security-holder's right to receive the payment is established.

Taxes

Income Tax

Income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the statutory income tax rate adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

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 which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

2. Statement of Significant Accounting Policies (continued)

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 which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity respectively.

Goods and Services Tax (GST)

Expenses and assets are recognised net of the amount of GST recoverable from the taxation authority. That part of the GST incurred on a purchase of goods and services, which is not recoverable from the taxation authority is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

Earnings Per Share (EPS)

Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Operating Segments

Under AASB 8, from 1 July 2009 operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which for the Company, is the board of Directors. As the company only has one operating segment, financial planning, there are no reportable segments.

Comparatives

Where required by Accounting Standards comparative figures are adjusted to conform to changes in presentation for the current financial year. Details of any such changes are included in the financial report.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

2. Statement of Significant Accounting Policies (continued)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Significant Accounting Judgements, Estimates, and Assumptions

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally within the Company.

(i) Significant Accounting Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Goodwill

During the year, the Company acquired The Pentad Group, a financial advisory business based in Melbourne. As a consequence, the Company shows the related goodwill on its statement of financial position. The Company does not consider that any of this goodwill is impaired, based on the net present value of the future expected cashflows to be derived from the Pentad business. The significant assumptions of the relevant model assume a discount rate of 16.0%pa, an annual increase in revenues of 10.0%pa, and an annual increase in costs of 3.0%pa. Further details regarding these assumptions are provided in Note 8.

Financial Assets Held as Available for Sale

The Company follows the AASB 139 requirements in classifying financial assets. This classification requires significant judgment as to whether the other financial assets (mainly shares) are held for trading or whether they should be classified as available-for-sale. In both cases the other financial assets are recognised in the statement of financial position at fair value, however, a key difference is the treatment of unrealised gains or losses. Where classified as held for trading, unrealised gains and losses are recognised in the profit or loss. Where available for sale they are recognised within other comprehensive income (unless impaired). Other financial assets have been classified as held as available for sale on the basis of the company’s objective of generating returns via long term investment.

(ii) Significant Accounting Estimates and Assumptions

Financial Assets Held as Available for Sale

Other financial assets held as available for sale are generally measured at fair value based on recently observed market prices. There is a significant risk that their carrying amount may change materially within the next annual reporting period, however, the changes generally do not arise from management assumptions or other estimates on uncertainty at reporting date, but rather from movement in market values.

Where there is no active market for a financial asset, fair value and net realisable value have been determined by valuation techniques, The techniques used by the Company comprised - (a) in respect of units in the Capricorn Diversified Investment Fund, an assessment of the net tangible assets per unit of the Fund based on valuations of the Fund's assets; and (b) in respect of units in the Esplanade Property Trust, the quoted redemption price as listed on the Trust's website.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

2. Statement of Significant Accounting Policies (continued)

Employee Benefits

(i) Short Term Obligations

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

(ii) Long Term Obligations

Any liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which employees render the related service is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of the services provided. Consideration is given to expected future salary and wage levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the expected future outflows.

Impairment of Non-Financial Assets

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 assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Rates
Plant and equipment	7.5 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

2. Statement of Significant Accounting Policies (continued)

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term.

At present, the company has one finance lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis over the period of the lease.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Borrowing Costs

All borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Intangible Assets

Internally-generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- how the intangible asset will generate probable future economic benefits;
- the intention to complete the intangible asset and use or sell it;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation:

- Capitalised software development - 5 years.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

2. Statement of Significant Accounting Policies (continued)

New Standards/Interpretations

During the year, the Company reviewed all of the new and revised Standards and interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business, and, therefore, no change is necessary to Company accounting policies.

Relevant Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2014, are as follows:

Standard/Interpretation	Application date of Standard	Application date for the Company
AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. This standard is not applicable until 1 January 2017 but is available for early adoption. The potential effects on adoption of the standard are yet to be determined.*	1 January 2017	1 January 2017

* The IASB has amended IFRS 9 to defer the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. The AASB is yet to issue a similar amendment.

Overall, the Company does not expect the above changes to have any material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

3. Income Tax

	2014	2013
	$	$
(a) Income tax expense / (credit) from continuing operations		
Current tax	145,718	(84,698)
Deferred tax	40,852	104,409
Under / (over) provision in prior year	-	-
Tax expense / (credit) reported in statement of comprehensive income from continuing operations	**186,570**	**19,711**
(a) Income tax expense / (credit) from discontinued operations		
Current tax	(114,512)	-
Deferred tax	-	-
Tax expense / (credit) from discontinued operations	**(114,512)**	**-**
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
- Provision for doubtful debts	26,349	-
- Provision for long service leave	64,666	18,581
- Annual leave	57,691	15,179
- Borrowing costs	-	139
- Other accruals	-	902
- Capital raising and other costs	12,307	18,953
- Audit and other accruals	12,705	3,720
- Superannuation payable	4,879	3,236
- Work in progress	-	109,950
- Tax losses carried forward	93,427	-
	272,024	170,661
Set-off of deferred tax liabilities	(3,260)	(2,781)
Net deferred tax assets	268,764	167,880
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
- Prepayments	5,582	-
- Difference between tax and accounting value depreciable assets	(2,322)	2,781
	3,260	2,781
Set-off to deferred tax assets	(3,260)	(2,781)
Net deferred tax liabilities	-	-
(d) Movements in net deferred tax assets/liabilities		
Opening balance	167,880	63,471
Net deferred tax assets acquired on business combination	60,032	-
Charged / (credited) to statement of comprehensive income	40,852	104,409
Closing balance	268,764	167,880

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

3. Income Tax (continued)

	2014	2013
	$	$
(e) Explanation of the relationship between income tax expense (credit) and accounting profit/(loss):		
A numerical reconciliation between income tax expense (credit) and the product of accounting profit / (loss) before income tax multiplied by the statutory income tax rate is as follows:		
Accounting profit / (loss) from continuing operations before income tax	(904,453)	(232,163)
Tax at the statutory income tax rate of 30% (2013: 30%)	(271,336)	(69,649)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
- Deferred interest on acquisition	53,153	-
- Impairment on disposal asset	175,710	-
- Impairment of goodwill	58,976	-
- Accounting gain on sale of business goodwill	-	(19,510)
- Capital gain on sale of business goodwill	-	52,807
- Non deductible entertainment	2,740	1,974
- Accounting gain on sale of shares	-	822
- Capital gain on sale of shares	-	1,106
- Legal fees	-	930
- Corporate costs - non-deductible	-	4,595
- Acquisitions and opportunities - non-deductible	-	41,826
- Transfer of tax expense via inter-company loan account	112,915	-
- Amortisation	-	4,810
- Carried forward loss not recognised	54,413	-
Income tax expense / (credit) from continuing operations	**186,570**	**19,711**
Accounting profit / (loss) from discontinued operations before income tax (refer Note)	(381,706)	-
Tax at the statutory income tax rate of 30% (2013: 30%)	(114,512)	-
Income tax expense / (credit) from discontinued operations	**(114,512)**	**-**

4. Current Trade and Other Receivables

Trade receivables	734,807	454,300
Less provision for impairment	(87,830)	-
Net trade receivables	646,977	454,300
Accrued income	106,500	-
	753,477	**454,300**

There was a provision for impaired receivables at 30 June 2014 of $87,830. (2013 - $nil). There were no other receivables past due not impaired, at 30 June 2014 (2013 : $nil). Refer Note 17 for information on risk exposure.

Movement in provision for impairment

Opening balance beginning of year	-	-
Charged to profit and loss - expense from continuing operation	49,436	-
Charged to profit and loss - expense from discontinued operation	38,394	
Closing balance end of year	**87,830**	**-**

5. Loans to Related Parties

Current - ILH Group Limited	949,500	-
Non-current - ILH Group Limited	3,163,306	-
	4,112,806	**-**

Current portion of loan to ILH relates to amount payable to Pentad vendors, due 1 October 2014.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

6. Plant and Equipment

	2014	2013
	$	$
Office equipment at cost	175,035	130,906
less accumulated depreciation	(120,840)	(99,222)
	54,195	**31,683**
Motor vehicles at cost	-	63,579
less accumulated depreciation	-	(28,714)
At end of year	**-**	**34,865**
Total plant and equipment	**54,195**	**66,548**

Movements in carrying amounts

Office equipment at written down value beginning of year	31,683	42,325
Additions	29,413	12,690
Acquisition of business	14,722	-
Disposals	-	(9,831)
Depreciation	(21,623)	(13,501)
Balance at end of year	**54,195**	**31,683**
Motor vehicles at written down value beginning of year	34,865	42,811
Disposals	(33,540)	-
Depreciation	(1,325)	(7,946)
Balance at end of year	**-**	**34,865**

7. Available for Sale Financial Assets

Available for sale financial assets	-	-
Movements in carrying value		
Balance beginning of year	-	561,571
Acquisitions	-	6,435
Return of capital from investments	-	(15,000)
Revaluation to market value	-	(14,682)
Disposals - sales	-	(41,496)
Disposals - via capital return to shareholders	-	(496,828)
Balance end of year	**-**	**-**

All available for sale financial assets were disposed of during the 2013 year.

Refer to Note 17 for further disclosure on fair value measurements and classifications as they pertain to the assets listed above.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

8. Intangible Assets

	2014 $	2013 $
PAS 3 software	24,113	11,902
Goodwill	7,630,430	1,536,000
	7,654,543	**1,547,902**

Movement in carrying amounts

	Software		Goodwill		Total	
	2014	2013	2014	2013	2014	2013
Balance beginning of year	11,902	27,934	1,536,000	-	1,547,902	27,934
Capitalisation of expenses	26,000		-	-	26,000	-
Acquired through business combination (Note 26)	-	-	7,630,430	1,536,000	7,630,430	1,536,000
Transfer to non-current assets held for sale (Note 25)	-	-	(1,339,414)	-	(1,339,414)	-
Impairment of intangibles	-	-	(196,586)	-	(196,586)	-
Amortisation of intangibles	(13,789)	(16,032)	-	-	(13,789)	(16,032)
Balance end of year	**24,113**	**11,902**	**7,630,430**	**1,536,000**	**7,654,543**	**1,547,902**

Notes 25 and 26 provide further information regarding the movements above.

The impairment expense of $196,586 relates to Eaton Capital Partners and arises from a reassessment of its carrying value on 1 September 2013, following the ILH acquisition of CIPL.

Goodwill at 30 June 2014 represents goodwill on the Pentad business purchased by the Company on 1 September 2013. The goodwill has been tested for impairment based on the net present value of future cash flow projections prepared for the Pentad business. The key assumptions of this model are:

- A pre-tax discount rate of 16.0% p.a., representing the Weighted Average Cost of Capital ("WACC") for CIPL's parent entity, ILH Group

- Annual growth in revenues of 10.0% p.a. This has been based on management's estimate of the growth in client portfolios resulting from a combination of new inflows and growth in Funds Under Advice.

- Annual growth in expenses of 3.0% p.a., based on estimated wage and other expense growth (approximates current inflation rate).

The use of these assumptions provides an estimated net present value of $8,182,118 as at 30 June 2014. As this value is greater than the carrying value of $7,630,430, no impairment has occurred.

Sensitivity of valuation to changes in assumptions

A table setting out the potential effect of the valuation of the goodwill under different scenarios is set out below:

	Scenario # (see key below)					
	1	2	3	4	5	6
Estimated NPV under applicable Scenario #	9,517,981	6,740,229	7,046,147	5,568,015	5,168,775	7,379,751
Carrying value	7,630,430	7,630,430	7,630,430	7,630,430	7,630,430	7,630,430
Excess of carrying value over NPV / (Impairment)	**1,887,551**	**(890,201)**	**(584,283)**	**(2,062,415)**	**(2,461,655)**	**(250,679)**

Key to Scenarios

1 : Discount rate of 14.0% pa, all other inputs unchanged.
2 : Discount rate of 19.0% pa all other inputs unchanged.
3 : Revenue growth of 7.5% p.a, all other inputs unchanged.
4 : Revenue growth of 4.0% pa, all other inputs unchanged.
5 : Revenue growth of 3.0% pa, all other inputs unchanged.
6 : Revenue growth of 8.25% pa, all other inputs unchanged.

9. Trade and Other payables

	2014 $	2013 $
Credit card	21,203	25,322
Trade creditors	63,556	115,279
Accrued expenses	155,678	30,819
Superannuation payable	25,945	10,787
GST payable	120,951	44,578
PAYG payable	128,733	29,062
Total trade and other payables	**516,066**	**255,848**

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

10. Income in Advance

	2014	2013
	$	$
Client fees received in advance	**316,085**	**-**

Some financial planning clients pre-pay fees for services 6 months in advance. These fees will be brought to revenue over the 6 months to 31 December 2014 on a straight-line basis as they are derived.

11. Borrowings - Current

Chattel mortgage	-	9,869
Total current borrowings	**-**	**593,690**

12. Employee Entitlements - Current

Provision for annual leave	157,872	50,595
Provision for long service leave	159,004	54,505
Total entitlements	**316,876**	**105,101**

Movements in employee entitlements

Annual leave		
Opening balance beginning of year	50,595	43,232
Leave accrued	201,461	88,942
Leave taken / paid out	(175,065)	(81,579)
Leave obligation assumed on acquisition of business	92,332	-
Transferred to liabilities associated with asset held for sale (see Note 25)	(11,451)	-
Closing balance end of year	**157,872**	**50,595**
Long service leave		
Opening balance beginning of year	54,505	39,091
Leave accrued	20,249	15,414
Leave taken / paid out	(11,166)	-
Leave obligation assumed on acquisition of business	95,416	-
Closing balance end of year	**159,004**	**54,505**
Employee entitlements - non-current		
Provision for long service leave	56,549	7,432
	56,549	**7,432**

Movements in employee entitlements - non-current

Opening balance beginning of year	7,432	4,463
Leave accrued	32,250	4,502
Leave taken / paid out	(9,659)	(1,533)
Leave obligation assumed on acquisition of business	26,526	-
Closing balance end of year	**56,549**	**7,432**

13. Borrowings - Non-Current

Chattel mortgage	-	22,333
Total non-current borrowings	**-**	**22,333**

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

14. Deferred Consideration

Deferred consideration payable at 30 June 2014 relates entirely to the acquisition of the Pentad Group by the Company on 1 September 2013, and is comprised of current and non-current components payable to the Pentad Group vendors. These components are set out below.

	Fair value of consideration	Face value of consideration
Current		
Cash consideration - due 1 October 2014	949,500	949,500
Total current	**949,500**	**949,500**
Non-current		
Cash consideration - due 1 October 2015	879,197	949,500
ILH Group Limited shares - due 1 October 2015	1,758,394	1,899,000
Total non-current	**2,637,591**	**2,848,500**

The deferred consideration is payable to the vendors in the event of The Pentad Group business achieving certain synergies and meeting client recurring revenue targets. CIPL management considers it certain that these synergies and revenue targets will be met. The consideration due to the Pentad Group vendors comprises both cash and ILH Group Limited ordinary shares. The number of ILH shares issued will be determined by the ILH volume weighted average share price on the Australian Securities Exchange at the time of issue.

ILH will issue its shares directly to the Pentad vendors, thus settling the liability on behalf of CIPL.

The non-current portion of the deferred consideration, being $2,848,500 payable on 1 October 2015, has been discounted to its net present value at a discount rate of 5.91%. This rate is equivalent to the interest charged to ILH Group Limited by its bankers.

No deferred consideration was payable at 30 June 2013.

Subsequent Event - Change in Deferred Consideration Obligations

On 23 October 2014, the vendors of the Pentad Group agreed to a variation in the terms of the deferred consideration. In summary:

• The obligation to pay The Pentad Group vendors $949,500 in cash on each of 1 October 2014 and 1 October 2015 has been replaced with an obligation to issue $1,899,000 worth of ILH Group Limited fully paid ordinary shares. The issue date of these shares is dependent on the timing of ILH shareholder approval.

• The issue of the ILH shares is conditional on ILH obtaining any shareholder approval required under the Corporations Act or ASX listing rules. In the event that approval is not obtained, then a payment of $949,500 in cash will be required within 28 days of ILH advising that approval has not been obtained, with a further $949,500 in cash to be paid within 3 business days of 1 October 2015.

• The ILH shares will be issued at the lesser of 4.00c and the price of any rights issue undertaken by the ILH. If no rights issue is undertaken, then the issue price is the Volume Weighted Average Price of ILH shares traded on the ASX in the 10 days preceding the issue of ILH shares to the Pentad vendors.

• The obligation to issue $1,899,000 worth of ILH shares to the Pentad Group vendors on 1 October 2015 has not changed under the revised terms.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

15. Contributed Equity

	2014	2013
	$	$
Share capital		
Ordinary shares fully paid on issue at 30 June 2014 - 550,601 (2013 : 232,792) ordinary shares fully paid	11,063,609	2,845,095

Share movements were as follows:

	No. of Shares	$
Balance at 1 July 2012	**190,203**	**2,104,739**
Cancellation of shares in relation to the sale of the Tamworth business	(28,481)	(462,816)
Issue of shares to acquire Eaton Capital Partners	71,070	1,700,000
In-specie return of capital	-	(496,828)
Balance at 30 June 2013	**232,792**	**2,845,095**
Issue of shares to ILH Group Limited at $25.86 per share 1 September 2013	310,075	8,218,514
Issue of shares to ILH Group Limited at $25.86 per share 30 June 2014	7,734	200,000
Balance at 30 June 2014	**550,601**	**11,063,609**

ILH Group Limited owns 100% of the Company's issued capital.

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

Any holder of ordinary shares has the right to receive notices of, to attend and to vote at general meetings of the Company. On a show of hands every shareholder present at a meeting in person or by proxy, attorney or representative is entitled to one vote and upon a poll each share is entitled to one vote.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

16. Cash and Cash Equivalents

	2014	2013
	$	$
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprise:		
Cash at bank	83,824	172,289
	83,824	**172,289**

(b) Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities		
Profit (loss) for the year after tax	(1,358,218)	(251,878)
Depreciation and amortisation	36,735	37,490
Impairment of goodwill	196,586	-
Impairment of assets held for sale	585,700	-
Interest expense on deferred consideration	177,175	-
Provision for doubtful debts	83,752	
Non-cash trust distribution	-	(1,622)
Gain on sale of Tamworth business	-	(75,201)
Loss on sale of shares	-	2,741
Loss on disposal of fixed assets	2,818	-
Acquired work in progress expensed	13,885	97,500
Impairment of acquired work in progress	-	366,500
(Increase) / decrease in intercompany loan	(21,973)	-
Decrease / (increase) in prepayments	68,425	(54,832)
(Increase) / decrease in receivables	(138,995)	(247,351)
(Increase) / decrease in income in advance	92,239	-
(Increase) / decrease in deposits	(7,831)	8,055
Increase / (decrease) in payables and accruals	150,858	70,538
Increase / (decrease) in provisions	129,596	37,472
Decrease / (increase) in deferred tax benefit	(3,007)	(104,408)
Increase / (decrease) in current tax liabilities	(39,320)	132,696
Net cash inflows / (outflows) from operating activities	**(31,575)**	**17,699**

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

17. Financial Instruments Disclosure

(a) Capital Risk Management

The Company manages its capital to ensure that the Company will have sufficient liquidity to fund its operations while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company also seeks to have sufficient facilities to provide funding for growth and development expenditure and ensure compliance with its Australian Financial Services Licence requirements.

The capital structure of the Company consists of cash at bank balances and equity of the Company (comprising issued capital, reserves, and retained earnings). The Company has no borrowings.

	2014	2013
	$	$
Loans (current)	-	9,869
Loans (non-current)	-	22,333
	-	32,202
Equity	8,851,305	1,991,009
Net debt to equity ratio	**0.00%**	**1.62%**

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the basis for recognition of income and expenses for each class of financial asset, financial liability, and equity instrument are disclosed in Note 2.

Categories of financial instruments	**2014**	**2013**
	$	**$**
Financial assets		
Cash	83,824	172,289
Receivables for goods and services (net of impairment)	646,977	454,300
Loan to related parties	4,112,806	-
Carrying amount of financial assets	4,843,607	626,589
Financial liabilities		
Other financial liabilities		
Trade creditors and payables	84,759	140,601
Borrowings - current	-	9,869
Borrowings - non-current	-	22,333
Carrying amount of financial liabilities	84,759	172,803

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

17. Financial Instruments Disclosure (continued)

	2014	2013
	$	$
Net income and expense from financial assets and liabilities		
Interest income from financial assets	1,616	10,019
Finance costs from financial liabilities	(5,869)	(18,226)
Net gain / (loss) from financial liabilities	(4,254)	(8,206)

The Company's activities expose it to financial risks. These risks can be classified into credit risk, and liquidity risk. The Company's overall risk management programme focuses on minimising potential adverse effects arising from these risks on the financial performance of the Company. Risk management techniques include keeping borrowings to a prudent level, maintaining spare borrowing capacity, and management of receivables.

The Company does not hold any financial assets, have any borrowings, nor hold any foreign currency denominated assets. It is therefore not exposed to market risks, interest rate risks, or foreign currency risk. The Company holds some cash at bank, however, any likely change in interest rates would not have a material effect on interest income.

The Company does not enter into or trade derivative financial instruments for speculative purposes.

Details of the remaining risks, and the effects they have on the profit and loss and equity position of the Company under different scenarios, are detailed under the relevant headings below.

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The maximum exposure to credit risk on financial assets which have been recognised on the statement of financial position is the carrying amount. The Company is not materially exposed to any significant individual credit risk arising from receivables. None of these receivables are secured.

The Company has adopted a policy of only dealing with creditworthy counter parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Other receivables mostly comprise outstanding trade settlements and interest receivable. The Company has no reason to believe that these amounts will not be received when due.

Credit risk of financial instruments not past due or individually determined as impaired:

	Not past due or impaired 2014	Not past due or impaired 2013
Receivables for goods and services	471,652	454,300
	471,652	**454,300**

Ageing of financial assets that are past due but not impaired 30 June 2014	31 - 90 days	Greater than 90 days
Receivables for goods and services	77,449	97,877
Ageing of financial assets that are past due but not impaired 30 June 2013		
Receivables for goods and services	60,066	47,122

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

17. Financial Instruments Disclosure (continued)

(c) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. This is done by having maintaining adequate cash and bank and also having access to a bank overdraft facility.

The Company's financial liabilities are payables and financial institution borrowings.

The Company manages liquidity risk through the continuous monitoring of forecast and actual cashflows to ensure that there are appropriate resources to meet financial obligations.

The lending facilities are summarised below:

Bank overdraft facility (7.71%pa interest)	200,000	200,000
Amount drawn down at year end	-	-
Balance available - overdraft	200,000	208,764
Total balance of facilities available	200,000	208,764

A maturity analysis, together with the effective weighted average interest rate for classes of financial liabilities, is set out below. The figures show both interest and principal repayments required.

	Weighted Average Interest Rate	Total due in less than 12 months $	Total due in 12 months to 2 years $	Total due in 2 to 5 years $	Total due after 5 years $	Indefinite $
2014						
Financial liabilities						
Trade and other payables	-	84,759	-	-	-	-
Deferred consideration on Pentad acquisition *	5.59%	949,500	2,848,500	-	-	-
Total financial liabilities		**1,034,259**	**2,848,500**	**-**	**-**	**-**

* - $949,500 payable in cash, $2,848,500 to be settled in ILH Group Limited ordinary shares. These obligations were amended on 23 October 2014 - refer Note 14 for further details.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

17. Financial Instruments Disclosure (continued)

	Weighted Average Interest Rate	Total due in less than 12 months $	Total due in 12 months to 2 years $	Total due in 2 to 5 years $	Total due after 5 years $	Indefinite $
2013						
Financial liabilities						
Trade and other payables	-	140,601	-	-	-	-
Borrowings - chattel mortgage	8.40%	12,201	22,766	-	-	-
Total financial liabilities		**152,802**	**22,766**	**-**	**-**	**-**

(d) Net Fair Values

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes. The carrying amounts of trade receivables and payables are assumed to approximate their fair value due to their short term nature.

AASB 7 *Financial Instruments : Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, unlisted securities) is determined using valuation techniques. The Company uses a range of such techniques, including offered redemption prices and net tangible asset information.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

17. Financial Instruments Disclosure (continued)

The following table presents the change in level 3 instruments.

	Other financial assets held available for sale	
	2014	**2013**
Opening balance	-	481,747
Acquisitions	-	6,436
Capital returns deducted from cost	-	(15,000)
Gains / (losses) recognised in reserves	-	(14,682)
In-specie distribution of financial instruments to shareholders	-	(458,501)
Closing balance	**-**	**-**

As at 30 June 2014, the Company had no Level 3 instruments (2013 - nil)

18. Auditor's Remuneration

	2014	**2013**
	$	**$**
Remuneration of HLB Mann Judd, the auditor of the Company		
Audit and review of the financial report *	29,400	30,346
Other services - taxation *	13,640	8,770
* Includes audit and taxation advice fees for Capricorn Diversified Investment Fund	43,040	39,116

19. Events Subsequent to Balance Date

On 23 October 2014, the vendors of The Pentad Group business formally agreed to a variation in the terms of the deferred consideration payable to them by the Company. The most important effect of the variation is to replace the obligation to pay to the Pentad vendors the two instalments of $949,500 in cash that were otherwise due on 1 October 2014 and 1 October 2015 with an obligation to issue ILH Group Limited ordinary shares of an equivalent value. Further details are provided in Note 19 to the financial statements.

The Directors consider that the revised agreement with the Pentad vendors represents a condition that arose after the end of the reporting period on 30 June 2014, and consequently constitutes a non-adjusting event as described by AASB 110. The financial statements and notes therefore do not reflect the subsequent change from the originally agreed cash settlement to settlement via the issue of ILH Group Limited shares.

Other than the above, there has not arisen in the interval between the end of the reporting year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

20. Contingent Liabilities

The Company has in place a bank guarantee of $500,000 to fulfil its obligations to the Australian Securities Exchange as a non-broker participant. The bank guarantee remains undrawn.

21. Commitments

The Company had no commitments at 30 June 2014 (2013 : nil).

22. Franking Credits and Dividends

(a) Franking Credits	**2014**	**2013**
	$	**$**
Franking credits available for subsequent financial years based on a tax rate of 30%	203,555	203,568

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

22. Franking Credits and Dividends (continued)

(b) Dividends declared and paid during the year

No dividends were paid during the year (2013 - nil).

(c) Dividends not recognised at year end:

No dividends were unrecognised at year end

23. Controlled Entities

The Company had no controlled entities.

24. Key Management Personnel and Related Party Disclosures

(a) Directors

The following persons were Directors of the Company during the year:
- David French (appointed 14 February 2006)
- Graeme Fowler (appointed 26 September 2013)
- Owen Evans (appointed 8 August 2014)
- Michael Cranny (resigned 26 September 2013)
- Stephen Moss (resigned 15 August 2014)

There were no other key management personnel.

(b) Remuneration of Key Management Personnel

	2014	2013
	$	$
Short term employee benefits	442,752	307,340
Post employment benefits - superannuation	40,492	30,978
Allowances	80,208	102,083
Other fees	100	400
	563,552	**440,801**

Note - post employment benefits consists of superannuation.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

24. Key Management Personnel and Related Party Disclosures (continued)

(c) Other Transactions with Key Management Personnel

Sale of Business

The Board of ILH Group Limited, the parent of the Company, has resolved to sell the Eaton Capital consulting business to interests associated with Stephen Moss, a former Director of the Company. Further details are provided in Note 25.

(d) Share Holdings

The number of shares in the Company held during the year by each member of the Key Management Personnel, including their personally related entities, is set out below. No shares were issued as remuneration during the financial year (2013 - nil).

2014

Name	Balance at the beginning of the year	Acquired	Sold	Issued as consideration for business acquisition	Balance at end of the year
Stephen Moss	73,509	-	(73,509)	-	-
Michael Cranny	26,929	-	(26,929)	-	-
Graeme Fowler	-	-	-	-	-
David French	35,354	-	(35,354)	-	-

Note - ILH Group Limited acquired all the shares in the Company effective 1 September 2013.

2013

Name	Balance at the beginning of the year	Acquired	Sold	Issued as consideration for business acquisition	Balance at end of the year
Stephen Moss	-	2,439	-	71,070	73,509
Michael Cranny	24,490	2,439	-	-	26,929
Mark Hayes (resigned 16 November 2012)	12,491	-	(10,856)	-	1,635
David French	32,915	2,439	-	-	35,354

(e) Transactions with related entities

The Company derived management fees of $97,884 from the Capricorn Diversified Investment Fund. At year end, the Capricorn Diversified Investment Fund owed the Company $9,401 in outstanding management fees.

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

25. Non-Current Assets and Associated Liabilities Held for Sale

Effective 15 May 2014, the board of ILH, the parent entity of the Company, resolved to sell the Eaton consulting business to Stephen Moss, a former Director of the Company. The cash consideration for the sale is $164,175. After adjustments for amounts owing to/from Stephen Moss and the Company, the net cash received by the Company will be $112,883. In addition, Stephen Moss will return 13,710,281 shares in ILH Group Limited to ILH for cancellation. As the transaction is with a related party, and involves a selective reduction of capital, it remains subject to ILH shareholder approval. However, the board of ILH and CIPL expect that approval will be granted.

The final sale agreement was executed during August 2014, however, it remains conditional on ILH Group Limited shareholder approval at the Company's AGM to be held on 25 November 2014.

The assets and liabilities associated with the Eaton business held for sale are set out below:

Statement of Financial Position	**2014**	**2013**
	$	**$**
Assets classified as held for sale		
Transferred from intangible assets	1,339,414	-
Less - Impairment loss on remeasurement to fair value	(585,700)	-
Accounts receivable	19,032	-
Expense reimbursements receivable	8,588	-
Balance at 30 June 2014	**781,334**	**-**
Liabilities classified as held for sale		
Proceeds from sale of CIPL shares (liability of ILH transferred to CIPL)	64,175	-
Annual leave	11,451	-
Accrued expenses	4,925	-
Balance at 30 June 2014	**80,551**	**-**

26. Business Combination

Effective 1 September 2013, the Company acquired 100% of the business of The Pentad Group Pty Ltd, a financial planning firm based in Melbourne, Victoria. No entities were acquired - only the operating business assets and liabilities.

The initial consideration paid for the Pentad business comprised an initial cash payment of $3,323,250 and 12,308,333 ordinary shares in ILH Group Limited, the ultimate holding company of CIPL. Additional cash consideration of $12,406 was paid the Pentad vendors directly by ILH in settlement of net asset adjustments, which brought the total cash consideration to $3,335,656. In addition, further cash payments totalling $1,899,000 and a further 26,375,000 additional ILH ordinary shares will be issued should Pentad's future expense synergy savings and revenues meet certain thresholds. At acquisition date, ILH's shares had a fair market value of 7.2 cents.

The calculation of the value of the total consideration paid and payable for Pentad at the acquisition date is set out below:

Type of consideration	Date payable/ paid	Gross value	Fair value at acquisition date 1/9/13	Discount rate applied to deferred consideration	Conditions
Cash	1/09/2013	3,335,656	3,335,656	N/A	None
12,308,333 ILH Group Limited ordinary shares @ 7.2c	1/09/2013	886,200	886,200	5.63%	None
Cash	1/10/2014	949,500	889,032	5.63%	See below
Cash	1/10/2015	949,500	840,294	5.63%	See below
26,375,000 ILH Group Limited ordinary shares	1/10/2015	1,899,000	1,680,589	5.63%	See below
Total		**8,019,856**	**7,631,771**		

ILH Group Limited shares issued have been valued at 7.2c each, being their quoted value on the ASX at 1/9/13.

26. Business Combination (continued)

The first additional cash consideration amount of $949,500 is payable provided that minimum expense synergies of $181,036 are extracted during the period 1 September 2013 to 31 August 2014. Based on the actual results of the Pentad business, management consider that that the probability this occurring is 100%. The second additional cash consideration component of $949,500 is payable provided that minimum expense synergies of $362,072 are extracted over the period from 1 September 2014 to 31 August 2015. Based on forecast results for this period, management consider that the probability of this occurring is also 100%.

The additional ILH Group Limited share consideration of 26,375,000 ILH Group Limited shares must be transferred to Pentad's vendors should the recurring revenues from specific clients be $633,000 higher than at acquisition. Management considers that the probability of this occurring is 100%.

The discount rate used of 5.63% is based on the St George Bank bill rate prevailing at the date of acquisition, which represents the approximate cost of funds to ILH Group Limited, the controlling entity of CIPL.

The net assets and liabilities acquired from Pentad were as follows:

	$
Assets	
Security deposits	37,481
Accounts receivable	164,730
Work in progress	13,885
Accrued income receivable	102,314
Plant & equipment (net of accumulated depreciation)	14,721
Prepayments	46,697
Deferred tax asset (on employee provisions)	64,198
Total assets	**444,026**
Liabilities	
Accounts payable	121,661
Provision for LSL	92,332
Provision for Annual Leave	223,846
Accrued expenses	680
Deferred tax liability (on work in progress)	4,166
Total liabilities	**442,685**
Net tangible assets acquired	**1,341**
Fair value of consideration paid	7,631,771
Goodwill on acquisition	**7,630,430**

The goodwill figure represents the excess of the consideration paid over the fair value of the identifiable assets.

Had the acquisition been effective from 1 July 2013, the effect on the Company's statement of financial performance would have been as follows:

Additional revenues	440,156
Additional costs	(337,462)
Additional profit before income tax	**102,694**
Income tax (@ 30%)	30,808
Additional profit after income tax	**71,886**

NOTES TO THE FINANCIAL STATEMENTS (For the Year Ended 30 June 2014) (continued)

27. Discontinued Operations

Effective 15 May 2014, the Company disposed of the Eaton Capital Partners consulting business. Consequently, the revenues and expenses relating to Eaton for the period from 1 July 2013 to 15 May 2014 are disclosed separately in the statement of comprehensive income as a discontinued operation. These revenues and expenses, together with the relevant tax expense, are set out below:

Revenues	536,694
Expenses	918,401
Loss before tax	(381,706)
Tax expense / (credit)	(114,512)
Loss from discontinued operation after tax	**(267,194)**

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) the attached financial statements and notes are in accordance with the *Corporations Act 2001* , including:

• giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

• complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the financial statements of the Company comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Signed in accordance with a resolution of the Directors.

David French
Director
30 October 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

CAPRICORN INVESTMENT PARTNERS LIMITED

ABN 26 095 998 771

INDEPENDENT AUDITOR'S REPORT

To the members of Capricorn Investment Partners Limited

We have audited the accompanying financial report of Capricorn Investment Partners Limited ("the company"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

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

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

HLB Mann Judd (SE Qld Partnership) ABN 68 920 406 716
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HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Capricorn Investment Partners Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C J M King
Partner

Brisbane, Queensland

30 October 2014