

CIPL (Holding) Limited

ABN: 97 603 442 959

ANNUAL REPORT 2017



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CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

MANAGING DIRECTOR'S REPORT

CIPL Holding Limited is a combination of two original business, Capricorn Investment Partners (based in Rockhampton), and The Pentad Group (based in Melbourne). Over the four years that the businesses have been together, numerous changes have been put in place to enable the best attributes of each to shine. The results for 2016/17 financial year continue the positive theme that became evident last year.

Group net profit after tax for 2016/17 was \$195,860, up from \$58,376 in the prior year. The capital structure of the business includes very high depreciation and amortisation charges, mainly on account of the value of the firm's Portfolio Administration System. These non-cash expenses can be added back to net profit to give a better idea of the value being created for shareholders. If depreciation and amortisation charges are added back to pre-tax profit, the business generated a surplus of \$551,896 in 2015/16 and \$719,593 in 2016/17.

Shareholders benefited from this result by way of a two tax deferred distributions of 15 cents each, and a \$228,000 reduction in repayments of company debt. At the current repayment rate (other things being equal), the reduction in debt levels increases the value of equity by about 20 cents per share per annum.

The firm runs to a business plan agreed by the board. Significant features of the business plan include the Asgard to PAS migration, recording all client assets in PAS, building our share trading, book-keeping, and business consultant capabilities and broadening the investment base of the Capricorn Diversified Investment fund

We have made great strides in the Asgard (Asgard being the externally provided client platform for which we must pay fees to use) to PAS migration, with clients enjoying improved reporting, improved portfolio performance and lower fees. In one significant trade, many PAS portfolio clients benefited from a 6.5 per cent uplift in value, simply because PAS enables us to respond quickly and accurately to opportunities as they present. The business enjoys the benefits of a streamlined back office, and increased profit margins.

A key feature of our business is the in-house share-trading task. Ian Maloney and his team work tirelessly to keep reviews up to date and to sniff out value. The introduction of a bond-trading service was also well accepted by many clients. Alongside business consulting, bookkeeping was included as a service offering for the first time in 2016/17. Initial results have exceeded expectations. Business consulting itself focussed on three main projects, two of which involved effectively saving businesses facing difficulty. We are very proud of the outcomes.

Over the year we have also focussed on growing our links with Authorised Representatives and contract services for managed investment schemes. In each case these external groups use our licence to provide financial services in their own name. This is a growing part of the business which links our compliance capability with business consulting activities.

The Capricorn Diversified Investment Fund continues to grow. With assets exceeding \$13 million it is amongst other things, now responsible for producing approximately 90kw of solar electricity, owns a jet aircraft leased to Jetgo Australia (Holdings) Pty Ltd, Suncorp House in Rockhampton, and 16 per cent of Federation Villages (an over 55's lifestyle village based in Melbourne). The fund is now yielding in excess of 5 per cent, a return which grows as new assets are included.

The company's balance sheet is sound and all debt covenants are being complied with.

Outlook

The first quarter of the 2017/18 financial year has enjoyed returns above expectation. We continue to face indifferent markets, and extraordinary levels of regulation. This creates daily challenges, which have to be managed in a way that benefits both clients and the firm.

Notwithstanding these challenges, the 2017/18 financial year continues to present significant opportunity. Fit-outs have been completed in both Melbourne and Rockhampton, making for a much-improved experience for clients and staff. We are also developing an in-house training program to add depth and consistency to our training efforts. The company is currently undergoing a re-branding, which will see both offices trade under the one name. This not only reduces confusion, but lowers the cost of delivering top-quality services. The new name "The Investment Collective" also sends a message that we take a collective approach to running our business. We look outside the square; we reinvest in the business for the benefit of clients and we seek to work alongside our clients for mutual gain. This is an exciting business to be part of. Thank you for your support as a shareholder.

David French

Managing Director, CIPL (Holding) Limited

26 October 2017

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of CIPL (Holding) Limited ("Company") and the entities it controlled at the end of, or during, the year ended 30 June 2017. Throughout the report, the consolidated entity is referred to as the "Group".

1 : Directors

The names and details of the Directors of CIPL (Holding) Limited in office during the year and until the date of this report are set out below. All directors were in office for the entire year unless otherwise stated.

David M French, B.Ec, Dip CM

David French is Managing Director of CIPL (Holding) Limited. He has almost 30 years' experience in finance and economics, most of which are in investment markets and personal finance. David has been responsible for building the business of the CIPL Group to a point where it now manages almost \$600 million for individuals, small business, and managed investment schemes. He holds a Bachelor of Economics and has completed a range of other courses related to the valuation of companies and investments. David is Chair of Home Support Association, a disability Services provider, Treasurer of Rockhampton Riding for the Disabled Association, and a past director of Rockhampton Regional Development Limited and the Rockhampton Chamber of Commerce.

Owen Evans, B.A. (Honours) M.Sc (Econ)

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 Bristle, AWB, Transfield Services, Worley Parsons and NRW. He is currently principle 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. Owen is currently non-Executive President of the Manly Warringah Basketball Association.

Lance Livermore, Bbus, CPA, Certified Financial Planner

Lance Livermore has more than 30 years experience in both stockbroking and financial planning. He attained his original qualifications in Albury prior to establishing himself in a financial controller role with Potter Warburg in Melbourne. Lance was a founding partner of Bailey Livermore Financial Services, a predecessor of Pentad and Capricorn Investment Partners.

Christopher Heyworth BA (Acct), ACA, Certified Financial Planner

Chris is a qualified accountant (Institute of Chartered Accountants in England and Wales) who has worked in the financial planning industry for more than 25 years. He is a Certified Financial Planner and has been the principal of his own business as well as working as a significant co-owner alongside others prior to the planned sale of The Pentad Group in 2013. Chris continues as an employed financial planner under the new ownership structure. Earlier career experience includes mainstream accounting and audit roles with multi-national commercial enterprises in a variety of locations.

Michael Peet B App Sc (Chem) B Com (resigned 30 September 2016)

Michael has been in the Australian Financial Markets Industry for over 20 years. Positions held include Equity Analyst, Fund Manager, Consultant and Investment Advisor. He is currently employed at Commonwealth Bank of Australia in the Institutional Banking and Markets Division where he holds the position of Director, Head of Emerging Companies Research for CBA's Institutional Stockbroking operations. He was previously employed by CIPL, Alliance Bernstein, UBS and County NatWest Securities. Michael is currently on the Board of Trustees for Samuel Smith & Son's Investment Trust, Gensix.

Nigel Allfrey B Comm, BEc (appointed 30 September 2016)

Nigel has several decades of business experience in the Australian and International Finance industry. He was Co-founder and CEO of Impact Investing Pty Ltd, a Sydney based Funds Management Financial Services Technology company that achieved global success and recognition. Prior to that he held senior portfolio management positions with leading fund management firms BlackRock and Bankers Trust. Today Nigel is Principal of the Caana Group, a private wealth management firm.

Company Secretary

The Company Secretary in office at the date of this report is Richard Symons.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

2 : Dividends

No dividends were paid or declared in respect of the year ended 30 June 2017 and directors do not currently recommend the payment of a dividend.

3 : Principal Activity

The principal activities of the Group during the year were providing financial planning and related services as an Australian Financial Services Authorised Representative. The Group also provided consulting services to a range of entities. One of the Group's subsidiaries, CIP Licensing Limited, is 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 2017, the Group recorded a net profit after tax of \$195,860 (2016 - profit of \$58,376)

5 : Holding Company Status

CIPL (Holding) Limited is an unlisted public company incorporated under the Corporations Act 2001.

6 : Significant Changes in the State of Affairs

There were no such changes during the year.

7 : Significant Events After Balance Date

No matters or circumstances have arisen since 30 June 2017, which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

8 : Likely Developments

The Group will continue to provide financial advisory and consulting services, and act as a Responsible Entity.

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*.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

10 : Environmental Regulation

The Group'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 Group has no outstanding share options.

12 : Proceedings on behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

13 : Auditor Independence

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

14 : Attendance at Directors Meetings

Attendance of directors at meetings was as follows:

	Number of meetings held whilst a director	Number of meetings attended
David French	7	7
Owen Evans	7	7
Lance Livermore	7	3
Christopher Heyworth	7	7
Michael Peet	2	2
Nigel Allfrey	5	5

15 : Non-Audit Services

The Group 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 by the Group for non-audit services provided by the auditor:

	2017	2016
	\$	\$
Tax and accounting compliance services	18,810	47,967

Signed in accordance with a resolution of the Directors



David French
Director, CIPL (Holding) Limited
26 October 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of CIPL (Holding) Limited for the year ended 30 June 2017, 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.

This declaration is in relation to the CIPL (Holding) Limited and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'A B Narayanan'.

A B Narayanan
Partner

Brisbane, Queensland
26 October 2017

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 30 June 2017**

	Note	2017 \$	2016 \$
Revenue			
Financial planning		3,560,478	3,458,144
Performance fee - Merchant Opportunities Fund		-	2,257,685
Insurance commissions		344,123	316,111
Consulting		227,176	208,680
Share broking commissions		431,593	297,974
Management and administrative services		163,385	131,688
Authorised representative fees		267,706	207,968
Mortgage broking		11,058	-
Other income		34,539	-
Interest income		11,611	8,837
Total revenue		5,051,669	6,887,087
Expenses			
Employee benefits expenses		2,863,874	2,760,134
Rebate of Merchant Opportunities Fund performance fee		-	2,031,917
Administration expenses		731,199	682,532
Bad and doubtful debts		(7,479)	34,946
Insurance		127,287	162,725
Commission, consulting, and subcontractor expenses		313,328	322,579
Occupancy costs		176,293	191,107
Depreciation		73,905	63,073
Amortisation		382,896	382,896
Finance costs		127,573	149,251
Total expenses		4,788,877	6,781,160
Profit / (Loss) before tax		262,792	105,927
Income tax (expense) / credit	3	(66,932)	(47,551)
Profit / (Loss) after tax for the year		195,860	58,376
Other comprehensive income			
Other comprehensive income for the year (net of tax)		-	-
Total comprehensive income for the year		195,860	58,376

The accompanying notes form part of these financial statements

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Consolidated Statement of Financial Position
as at 30 June 2017**

	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	13	411,784	313,164
Trade and other receivables	4	607,083	790,712
Prepayments & deposits		65,551	80,371
Total Current Assets		1,084,418	1,184,248
Non Current Assets			
Security deposits		32,811	37,481
Plant and equipment	5	416,483	268,857
Intangible assets	6	2,460,502	2,858,710
Deferred tax assets	3	51,069	98,449
Total Non Current Assets		2,960,866	3,263,497
Total Assets		4,045,285	4,447,746
Current Liabilities			
Trade and other payables	7	364,671	428,652
Income in advance	8	119,526	174,066
Current tax payable	3	10,538	-
Employee entitlements	10	299,318	241,894
Borrowings	9	267,237	306,731
Total Current Liabilities		1,061,290	1,151,343
Non Current Liabilities			
Borrowings	11	1,629,256	1,809,319
Employee entitlements	10	42,032	37,106
Total Non Current liabilities		1,671,288	1,846,425
Total Liabilities		2,732,578	2,997,768
Net Assets		1,312,707	1,449,977
Equity			
Contributed equity	12	1,244,916	1,578,046
Retained profits / (accumulated losses)		67,791	(128,069)
Total Equity		1,312,707	1,449,977

The accompanying notes form part of these financial statements

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Consolidated Statement of Changes in Equity
for the Year Ended 30 June 2017**

	Contributed Equity	Retained Profits	Total Equity
	\$	\$	\$
Balance at 1 July 2015	<u>1,691,743</u>	<u>(186,445)</u>	<u>1,505,298</u>
Profit for the year	-	58,376	58,376
<i>Transactions with equity holders in their capacity as equity holders</i>			
Capital returns	<u>(113,697)</u>	-	<u>(113,697)</u>
Balance at 30 June 2016	<u>1,578,046</u>	<u>(128,069)</u>	<u>1,449,977</u>
Profit for the year	-	195,860	195,860
<i>Transactions with equity holders in their capacity as equity holders</i>			
Issue of shares	10,000	-	10,000
Capital returns	<u>(343,130)</u>	-	<u>(343,130)</u>
Balance at 30 June 2017	<u>1,244,916</u>	<u>67,791</u>	<u>1,312,707</u>

The accompanying notes form part of these financial statements

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Consolidated Statement of Cash Flows
for the Year Ended 30 June 2017**

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		5,217,813	4,562,084
Interest received		11,611	8,836
Payments to suppliers and employees		(4,196,133)	(4,265,409)
Interest paid		(127,573)	(149,251)
Income tax paid		(9,015)	(12,408)
Net cash inflows from operating activities	13	896,703	143,851
Cash flows from investing activities			
Payments for plant and equipment		(206,221)	(128,314)
Net cash outflows from investing activities		(206,221)	(128,314)
Cash flows from financing activities			
Proceeds from borrowings		90,595	49,273
Repayment of borrowings		(310,152)	(185,823)
Payment of capital returns		(343,130)	(113,697)
Net refund of security deposits		4,670	-
Loans to other entities		(35,938)	(2,936)
Loans repaid by other entities		2,094	-
Net cash outflows from financing activities		(591,862)	(253,183)
Net increase / (decrease) in cash and cash equivalents		98,620	(237,646)
Cash and cash equivalents at the beginning of the year		313,164	550,810
Cash and cash equivalents at the end of the financial year	13	411,784	313,164

The accompanying notes form part of these financial statements

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

Notes to the Financial Statements for the Year Ended 30 June 2017

1. Corporate Information

The parent entity, CIPL (Holding) 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 principal place of business and registered office of the Company is Suite 18, Suncorp House, 103 Bolsover Street, Rockhampton Queensland.

The Company's subsidiary, CIP Licensing Limited, 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 26 October 2017.

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 CIPL (Holding) Limited and its controlled entities ("Group").

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 Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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 amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements have been prepared on a going-concern basis which anticipates that the Group 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.

Principles of Consolidation - subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The assets, liabilities, and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances, and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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 comprise loans and receivables and held to maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

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.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the positive intention and ability to hold to maturity. The Company's held to maturity investment consists of a single term deposit with a major Australian bank.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting year. 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 amount 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.

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and the associated liability for any amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 Group 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 Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled, or they expire.

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

2. Statement of Significant Accounting Policies (continued)

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.

Receivables

Receivables comprise trade debtors and are carried at original contract/invoice amount, less any provision for impairment.

Other receivables are normally due within 30 days of recognition.

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 Group.

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. Where service fees are received in advance, the fees are brought to profit and loss over the year in which the services are provided.

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).

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 2017**

2. Statement of Significant Accounting Policies (continued)

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.

CIPL (Holding) and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements

Goods and services tax (GST)

Revenues, 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.

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 Group's chief operating decision maker which for the Company, is the board of directors. As the Group only has one operating segment, financial planning, there are no reportable segments.

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 year 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 with the loan balance 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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Goodwill

Goodwill is carried at cost less accumulated impairment losses.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Software and website development costs

Software and website development costs are capitalised only when the Group identifies that the project will deliver future economic benefits and these benefits can be measured reliably. Software and developed websites are considered as having finite useful lives and are amortised on a systematic basis over their useful lives so as to match the economic benefits received to the periods in which the benefits are received. Amortisation begins when the software or websites become operational.

The amortisation rate used for software is 20.0% per annum.

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 Group.

(i) Significant key estimates

Goodwill

During the 2015 financial year, the Group acquired the business of Capricorn Investment Partners Limited, a financial planning firm. As a consequence, the Group shows the related goodwill on its statement of financial position. The Group 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 business. Further details regarding these assumptions are provided in Note 6.

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

2. Statement of Significant Accounting Policies (continued)

(i) Significant key estimates (continued)

PAS software

As part of the acquisition of the business of Capricorn Investment Partners Limited, the Group acquired the PAS portfolio administration software which had been developed by that company. The PAS software has been valued at the Group's estimate, which is based on a net present value of the additional costs that would be incurred if the Group was required to use an external commercial package instead of PAS. The Group considers that the carrying value of the PAS software is reasonable. Further details are provided in Note 6.

(ii) Significant key judgements

Impairment of receivables

Receivables are classed as impaired where management forms the view that recovery is unlikely. This view may come about from amounts owing being well in excess of terms, or other information management may have on the financial position of the debtor.

Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

(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 year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year 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 year 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 years of service. Expected future payments are discounted using market yields at the end of the reporting Year 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 year.

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 Group commencing from the time the asset is held ready for use.

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

2. Statement of Significant Accounting Policies (continued)

Plant and equipment (continued)

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

Class of asset	Rates
Office equipment	14 - 40. %
Fixtures and fittings	10 - 20%

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

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 Group 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 year.

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

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 year of the lease.

Provisions

Provisions are recognised when the Group 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.

New Standards/Interpretations

During the year, the Group 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 year.

It has been determined by the Group 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 Group 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 year ended 30 June 2017, are as follows:

Standard/Interpretation	Application date of Standard - accounting periods commencing on or after	Application date for the Company
AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The Group will adopt this standard from 1 July 2018.	1 January 2018	1 July 2018
AASB 15 Revenue from Contracts with Customers requires entities to recognise revenue from the transfer of goods or services to customers in amounts that reflect the consideration (that is payment) to which the Group expects to be entitled in exchange for those goods or services.	1 January 2018	1 July 2018
AASB 16 Leases requires that entities recognise operating leases for business premises on their statements of financial position as liabilities with a corresponding "right to occupy" asset. Payments made on these leases will be effectively treated as a combination of capital repayments and interest and the "asset" will be amortised	1 January 2019	1 July 2019

The Group does not expect the first two above changes to have any effect on the financial statements. In relation to the Leases standard, it will be necessary for the Group to bring "right to use" assets for the Rockhampton and Melbourne office spaces onto the statement of financial position, together with a corresponding liability. Rent expenses will not be charged to expenses but split into interest and principal components. There will be an amortisation charge against the "right to use". The overall effect will be lower operating expenses and higher interest and amortisation charges. Given that rent comprises less than 4% of total overheads, the overall effect is unlikely to be material.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

3. Income Tax

	2017	2016
	\$	\$
(a) Income tax expense / (credit) from continuing operations		
Current tax	19,552	-
Deferred tax	47,380	47,551
Tax expense / (credit) reported in statement of comprehensive income from continuing operations	<u>66,932</u>	<u>47,551</u>
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
- Provision for long service leave	48,105	47,067
- Annual leave	45,766	36,633
- Borrowing costs	8,495	12,737
- Accrued expenses	24,119	24,924
- Capital raising and other costs	2,596	2,926
- Tax losses carried forward	-	26,641
	<u>129,082</u>	<u>150,927</u>
Set-off of deferred tax liabilities	(78,013)	(52,478)
Net deferred tax assets	<u>51,069</u>	<u>98,449</u>
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
- Accrued revenues	-	27,110
- Prepayments	18,027	-
- Difference between tax and accounting value depreciable assets	59,986	25,368
	<u>78,013</u>	<u>52,478</u>
Set-off to deferred tax assets	(78,013)	(52,478)
Net deferred tax liabilities	<u>-</u>	<u>-</u>
(d) Movements in net deferred tax assets/liabilities		
Opening balance	98,449	146,000
Charged / (credited) to statement of comprehensive income	(47,380)	(47,551)
Closing balance	<u>51,069</u>	<u>98,449</u>

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

	2017	2016
	\$	\$
3. Income Tax (continued)		
<i>(e) Explanation of the relationship between income tax expense (credit) and accounting profit / (loss) :</i>		
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) before income tax	262,792	105,927
Tax at the statutory income tax rate of 27.5% (2016 - 30%)	72,268	31,778
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
- Non deductible entertainment	-	-
- Costs of acquisition of business	-	-
- Other	-	(31,778)
Income tax expense / (credit) from continuing operations	-	-
4. Current Trade and Other Receivables		
Trade receivables	429,413	416,451
Less provision for impairment	-	-
Net trade receivables	429,413	416,451
Accrued income	140,889	371,325
Other	36,781	2,936
	607,083	790,712

Refer Note 14 for information on risk exposure.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

	2017 \$	2016 \$
5. Plant and Equipment		
Plant and equipment comprises office equipment and leasehold improvements made to the Group's offices.		
Office equipment at cost	362,107	338,675
less accumulated depreciation	<u>(223,519)</u>	<u>(185,371)</u>
	<u>138,588</u>	<u>153,304</u>
Leasehold improvements at cost	309,647	130,551
less accumulated depreciation	<u>(31,752)</u>	<u>(14,998)</u>
	<u>277,895</u>	<u>115,553</u>
Plant and Equipment	<u>416,483</u>	<u>268,857</u>
Movements in carrying amounts		
Office equipment at written down value beginning of year	153,304	131,487
Additions	23,432	62,590
Depreciation	<u>(38,146)</u>	<u>(40,773)</u>
Balance at end of year	<u>138,590</u>	<u>153,304</u>
Leasehold improvements at written down value beginning of year	115,553	122,612
Additions	179,096	6,660
Depreciation	<u>(16,754)</u>	<u>(13,719)</u>
Balance at end of year	<u>277,895</u>	<u>115,553</u>
The increase in leasehold improvements is mainly due to the refurbishment of the Melbourne office.		

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

	2017 \$	2016 \$
6. Intangible Assets		
PAS 3 software	1,021,060	1,403,956
Other software	61,721	77,032
Goodwill	1,377,721	1,377,721
	2,460,502	2,858,710

	PAS 3 software 2017	Other software 2017	Goodwill 2017	Total 2017
Movement in carrying amounts - 2017				
Balance beginning of year	1,403,956	77,032	1,377,721	2,858,709
Capitalisation of expenses	-	-	-	-
Acquired through purchase	-	2,566	-	2,566
Amortisation of intangibles	(382,896)	(17,877)	-	(400,773)
Balance end of year	1,021,060	61,721	1,377,721	2,460,502

Movement in carrying amounts - 2016

	PAS 3 software 2016	Other software 2016	Goodwill 2016	Total 2016
Balance beginning of year	1,786,852	26,549	1,377,721	3,191,122
Capitalisation of expenses	-	21,518	-	21,518
Acquired through purchase	-	37,546	-	37,546
Amortisation of intangibles	(382,896)	(8,581)	-	(391,477)
Balance end of year	1,403,956	77,032	1,377,721	2,858,709

Goodwill at 30 June 2017 represents goodwill from the Capricorn Investment Partners Limited ("CIPL") business purchased by the Group on 27 February 2015. The goodwill has been tested for impairment by reviewing the net present value of future cash flow projections for the business. Based on a 16% pre tax discount rate and growth rate assumptions of approximately 2% for income and expenses, management considers that there is no need to impair the value and cannot anticipate any likely scenario where impairment would be necessary.

The PAS 3 software was acquired from CIPL on 27 February 2015 and is being amortised on a straight line basis over 5 years.

The other software is being used to digitise client information, and is being amortised on a straight line basis over 5 years.

	2017 \$	2016 \$
7. Trade and Other payables		
Trade creditors	92,363	77,509
Credit cards	12,978	6,934
Accrued expenses	119,246	217,468
Superannuation payable	-	576
GST payable	103,453	82,002
PAYG payable	46,963	43,077
Other	(10,332)	1,086
Total trade and other payables	364,671	428,652

The average credit period on trade and other payables (excluding GST) is 30 days. No interest is payable on outstanding payables during this period. For overdue payables, interest may be charged at a rate determined by the particular creditor.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

	2017	2016
	\$	\$
8. Income in Advance		
Client fees received in advance	<u>119,526</u>	<u>174,066</u>
The majority of the above relates to fees paid by financial planning clients for services 6 months in advance. These fees will be brought to revenue over the 6 months to 31 December 2017 on a straight-line basis as they are derived.		
9. Borrowings - current		
Bank of Melbourne - bank bill facility	228,000	285,000
Bank of Melbourne - equipment finance lease	16,722	15,870
Bank of Melbourne - fit-out lease	16,121	-
Software lease	6,394	5,861
Total current borrowings	<u>267,237</u>	<u>306,731</u>
The bank bill facility liability represents four quarterly payments of \$57,000 each over the next 12 months.		
10. Employee entitlements - current		
Provision for annual leave	166,423	122,111
Provision for long service leave	132,895	119,783
Total entitlements	<u>299,318</u>	<u>241,894</u>
<i>Movements in employee entitlements - current</i>		
Annual leave		
Opening balance beginning of year	122,111	112,052
Leave accrued	210,618	208,649
Leave taken / paid out	(166,306)	(198,590)
Closing balance end of year	<u>166,423</u>	<u>122,111</u>
Long service leave		
Opening balance beginning of year	119,783	157,315
Leave accrued	25,297	11,255
Leave taken / paid out	(12,185)	(48,787)
Closing balance end of year	<u>132,895</u>	<u>119,783</u>
Employee entitlements - non-current		
Provision for long service leave	<u>42,032</u>	<u>37,106</u>
<i>Movements in employee entitlements - non-current</i>		
Opening balance beginning of year	37,106	37,422
Leave accrued	4,926	11,605
Leave taken / paid out	-	(11,921)
Closing balance end of year	<u>42,032</u>	<u>37,106</u>
11. Borrowings - non-current		
Bank of Melbourne - bank bill facility	1,539,000	1,767,000
Bank of Melbourne - equipment finance lease	7,230	23,952
Bank of Melbourne - fit-out lease	71,052	-
Software lease	11,974	18,367
Total non-current borrowings	<u>1,629,256</u>	<u>1,809,319</u>

The Group is required to meet certain bank-imposed financial covenants in relation to its borrowings. The Group is in compliance with these covenants. CIPL (Holding) Limited and its subsidiaries have jointly guaranteed the borrowings and provided a charge over all their assets and undertakings.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

	Number of shares	\$
12. Contributed Equity		
Share capital		
Ordinary shares fully paid on issue at 30 June 2017 - 1,143,768 (2016 - 1,138,768 ordinary shares fully paid)		
Balance at 1 July 2015	1,138,768	1,691,742
Capital returns paid		(113,697)
Balance at 30 June 2016	1,138,768	1,578,046
Issuance of ordinary shares	5,000	10,000
Capital returns paid	-	(343,130)
Balance at 30 June 2017	1,143,768	1,244,916

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.

	2017 \$	2016 \$
13. Cash and Cash Equivalents		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprise:		
Cash at bank	261,784	163,164
Cash held in term deposit	150,000	150,000
	411,784	313,164
(b) Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities		
Profit / (Loss) for the year after tax	195,860	58,376
Depreciation and amortisation	456,801	445,969
Decrease / (increase) in prepayments	14,820	3,898
(Increase) / decrease in receivables	217,475	(124,576)
(Increase) / decrease in income in advance	(54,540)	(159,675)
Increase / (decrease) in payables and accruals	(63,981)	(87,496)
Increase / (decrease) in provisions	62,350	(27,788)
Issue of ordinary shares to settle expenses	10,000	-
Decrease / (increase) in deferred tax benefit	47,379	47,551
Increase / (decrease) in current tax liabilities	10,538	(12,408)
Net cash inflows / (outflows) from operating activities	896,703	143,851

Of this cash, a minimum of \$150,000 must be held by CIP Licensing Limited, a subsidiary of the Company, to meet Australian Financial Services Licence requirements. As at 30 June 2017, this amount was held in a term deposit by CIP Licensing Limited.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

14. Financial Instruments Disclosure

(a) Capital risk management

The Group manages its capital to ensure that the Group will have sufficient liquidity to fund its operations while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group also seeks to have sufficient facilities to provide funding for growth and development expenditure. CIP Licensing must maintain adequate capital to ensure compliance with its Australian Financial Services Licence requirements. This is achieved by keeping \$150,000 in a term deposit.

The capital structure of the Group consists of cash at bank balances and equity of the Group (comprising issued capital and retained earnings).

	2017	2016
	\$	\$
Loans (current)	267,237	306,731
Loans (non-current)	1,629,256	1,809,319
	<u>1,896,493</u>	<u>2,116,050</u>
Equity	1,312,707	1,449,977

The Group is required to meet certain financial covenants under the terms and conditions of its bank borrowings. The Group is in full compliance with those covenants for, and as at the end, of the year.

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

	2017	2016
	\$	\$
Financial assets		
Cash - held at Bank of Melbourne	411,784	313,164
Receivables for goods and services (net of impairment)	429,413	416,451
Carrying amount of financial assets	<u>841,197</u>	<u>729,615</u>
Financial liabilities		
Other financial liabilities		
Trade creditors and payables	105,341	84,443
Borrowings - current	267,237	306,731
Borrowings - non-current	1,629,256	1,809,319
Carrying amount of financial liabilities	<u>2,001,833</u>	<u>2,200,493</u>

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

14. Financial Instruments Disclosure (continued)	2017	2016
	\$	\$
Net income and expense from financial assets and liabilities		
Interest income from financial assets	11,611	8,837
Finance costs from financial liabilities	<u>(127,573)</u>	<u>(149,251)</u>
Net gain / (loss) from net financial liabilities	<u>(115,962)</u>	<u>(140,414)</u>

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

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

Details of financial instrument risks, and the effects they have on the profit and loss and equity position of the Group 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 Group is not materially exposed to any significant individual credit risk arising from receivables. None of these receivables are secured.

The Group has adopted a policy of only dealing with creditworthy counter parties, entering into direct debit arrangements with clients, 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 Group 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 2017
Receivables for goods and services	<u>429,413</u>
	<u>429,413</u>

Ageing of financial assets that are past due but not impaired 30 June 2017

	31 - 90 days	Greater than 90 days
Receivables for goods and services	<u>-</u>	<u>18,443</u>

	Not past due or impaired 2016
Receivables for goods and services	<u>416,451</u>
	<u>416,451</u>

Ageing of financial assets that are past due but not impaired 30 June 2016

	31 - 90 days	Greater than 90 days
Receivables for goods and services	<u>5,029</u>	<u>19,675</u>

Notes to the Financial Statements for the Year Ended 30 June 2017

14. Financial Instruments Disclosure (continued)

(c) Interest rate risk

The Group's total bank borrowings at 30 June 2017 were \$1,767,000 (2016 : \$2,052,000). The borrowings are in the form of a bank bill facility. In addition to this, there were separate financing arrangements for specific asset purchases which totalled \$129,493 (2016 - \$64,050). These latter arrangements have fixed interest rates for their entire terms.

As at 30 June 2017, the bank borrowing facility was split into two fixed and variable components. The fixed component of \$1,140,000 is set for approximately 1 year until 5 June 2018, and the variable component totals \$627,000 for which the interest rate is reset every three months. The after tax impact of a change in the rate of interest on the interest expense for the variable component is shown in the table below.

	Interest rate increase of 1%	Interest rate Decrease of 2%	Interest rate Decrease of 1%
Increase / (decrease) of annual interest expense	4,389	8,778	(4,389)

(d) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities. This is done by maintaining adequate cash at bank, ensuring that sufficient equity is raised to support the business, and ensuring borrowings are repayable over a realistic timeframe.

The Group's financial liabilities are payables, financial institution borrowings, and asset/software leases.

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

The borrowings consist of a bank bill facility which was fully drawn down at year end.

	2017 \$	2016 \$
Bank bill facility - fixed	1,140,000	1,140,000
Bank bill facility - variable	627,000	912,000
Amount drawn down at year end	1,767,000	2,052,000
Total balance of facilities available at year end	-	-

A maturity analysis, together with the effective weighted average interest rate for classes of financial liabilities, is set out below. The figures show both the interest and principal repayments required and assume interest rates on the variable component are as at year end.

	Weighted Average Interest Rate pa	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 \$
30 June 2017						
Financial liabilities						
Trade and other payables	-	105,341	-	-	-	-
Equipment and software leases	5.83%	39,237	31,274	58,982	-	-
Borrowings	5.64%	228,000	228,000	1,311,000	-	-
Total financial liabilities		372,577	259,274	1,369,982	-	-
30 June 2016						
Financial liabilities						
Trade and other payables	-	84,443	-	-	-	-
Equipment and software leases	6.56%	21,731	23,116	19,204	-	-
Borrowings	5.74%	285,000	228,000	1,539,000	-	-
Total financial liabilities		391,174	251,116	1,558,204	-	-

The bank bill facility has a term of 5 years commencing from 27 February 2015, with required principal repayments of \$228,000 per year. The principal is required to be amortised to \$1,140,000 by 27 February 2020. At this date, it is likely the loan will be refinanced, however, for the purposes of the above table, it is assumed to be repaid on that date.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

15. Auditor's Remuneration

	2017	2016
	\$	\$
Remuneration of HLB Mann Judd, the auditor of the Group		
Audit and review of the financial report *	41,000	39,150
Other services - taxation *	18,810	47,967
	<u>59,810</u>	<u>87,117</u>

* Includes audit and taxation advice fees for Capricorn Diversified Investment Fund

16. Events Subsequent to Balance Date

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 Group, the results of those operations or the state of affairs of the Group in future financial years.

17. Contingent Liabilities

The Group 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.

18. Commitments

The Group had the following lease commitments at 30 June 2017.

	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 \$
Operating leases on premises	125,068	119,477	228,419	-

The Group had the following lease commitments at 30 June 2016.

	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 \$
Operating leases on premises	105,572	65,414	28,210	-

19. Franking Credits and Dividends

(a) Franking Credits

	2017	2016
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	30,927	12,408

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.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

Notes to the Financial Statements for the Year Ended 30 June 2017

19. Franking Credits and Dividends (continued)

(b) Dividends declared and paid during the year

No dividends were paid during the year..

(c) Dividends not recognised at year end:

No dividends were unrecognised at year end

20. Controlled Entities

The names and details of the Group's controlled entities during and at the end of the year are;

Name	% owned	Country of incorporation
Capricorn Investment Partners Pty Ltd	100	Australia
CIP Licensing Limited	100	Australia

21. Key Management Personnel ("KMP") and Related Party Disclosures

KMP's are defined as any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group or any of the Group's related entities, directly or indirectly. Any director (whether executive or otherwise) of the entity, is considered key management personnel.

(a) Directors

The following persons were directors of the Company during the year.

David French

Owen Evans

Lance Livermore

Chris Heyworth

Nigel Allfrey (appointed 30 September 2016)

Michael Peet (resigned 30 September 2016)

There were no other key management personnel.

(b) Remuneration of Key Management Personnel

	2017	2016
	\$	\$
Short term employee benefits	441,793	441,432
Other short term benefits - consulting fees	86,167	96,167
Post employment benefits - superannuation	83,600	89,308
Post employment benefits - long service leave	8,855	8,487
	620,415	635,394

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

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

(c) 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 to KMP's during the year.

30 June 2017

Name	Balance at the beginning of the year	Acquired	Sold	Balance at end of the year
David French	127,487	-	-	127,487
Owen Evans	92,439	-	-	92,439
Lance Livermore	125,772	-	-	125,772
Chris Heyworth	125,772	-	-	125,772
Nigel Allfrey *	100,000	-	-	100,000

* Nigel Allfrey held 100,000 shares in the Company at the time of becoming a director on 30 September 2016.

(d) Transactions with related entities

CIP Licensing Limited, a wholly owned subsidiary of the Group, acts as Responsible Entity for the Capricorn Diversified Investment Fund ("CDIF"). CB Grand Pty Ltd is a subsidiary of CDIF.

The Group derived management fees of \$163,385 (2016 - \$131,688) from CDIF. At year end, CDIF owed the Group approximately \$16,333 in management fees.

The Group paid rent to CB Grand Pty Ltd of \$60,843 during the year (2016 : \$60,843) and owed CB Grand Pty Ltd \$481 at 30 June 2017 (2016 : \$315)

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

**Notes to the Financial Statements
for the Year Ended 30 June 2017**

22. Parent entity financial information

The individual financial statements for the parent entity, CIPL (Holding) Limited show the following aggregate amounts

Statement of financial position	2017	2016
	\$	\$
Current assets	844,395	843,307
Non-current assets	3,410,725	3,554,744
Total assets	4,255,120	4,398,051
Current liabilities	1,735,007	1,476,206
Non-current liabilities	1,744,776	1,884,766
Total liabilities	3,479,784	3,360,972
Net assets	775,336	1,037,079
Shareholders equity		
Issued capital	1,244,915	1,578,046
Retained earnings	(469,579)	(540,966)
Total shareholders equity	775,336	1,037,080
Statement of comprehensive income	2017	2016
Revenues	4,616,890	4,234,623
Expenses	4,643,861	4,567,455
Profit before tax	(26,971)	(332,832)
Income tax expense	(13,349)	-
Net profit after tax	(13,622)	(332,832)

CIPL (Holding) Limited, CIP Licensing Limited, and Capricorn Investment Partners Pty Ltd have been required by the Group's lender to cross guarantee each other's commitments under the borrowing facility.

CIPL (HOLDING) LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the Directors:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

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

(c) the financial statements of the Group 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, CIPL (Holding) Limited

26 October 2017

Independent Auditor's Report To the Members of CIPL (Holding) Limited and Controlled Entities

Opinion

We have audited the financial report of CIPL (Holding) Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

**Brisbane, Queensland
26 October 2017**

A handwritten signature in black ink, appearing to read 'Abu' with a flourish underneath.

**A B Narayanan
Partner**