Capricorn Diversified Investment Fund

ARSN 139 774 646

ANNUAL REPORT 2015

For year ended 30 June 2015

RESPONSIBLE ENTITY
CIP Licensing Limited
ACN 603 558 658 AFSL No. 471728

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR
HLB Mann Judd

CONTENTS

OPERATIONAL REVIEW FOR YEAR ENDED 30 JUNE 2015

The Capricorn Diversified Investment Fund ("CDIF" / "Fund") is now in its fifth year of public operation, and manages assets of approximately $8 million. This represents almost a tripling in size since the Fund was launched.

The establishment of CDIF and the construction of Suncorp House have meant that profits have been retained in the Fund, and a significant amount of cash distributions paid as capital returns. While this has the impact of reducing the unit price, it enables tax free distributions to be made. Since inception 14 distributions of 1 cent per unit have been made (approximately 8 tax exempt). Adding the value of distributions to the current unit price, the total value for original unit holders is now above $1.00, even allowing for the significant start-up and property development expenses. At the time of writing, comparing the value of the distributions since inception and the current unit price, the Fund's performance approximately equalled that of the All-Ordinaries Index, with significantly less volatility.

Over the year to 30 June 2015, the assets of the Fund comprised cash, high interest bank accounts, an investment in bonds issued by Auswide Bank Limited, a convertible note issued to an accommodation provider, an equipment lease, shares in small capitalisation stocks listed on the ASX, and Suncorp House in Rockhampton and an investment in solar electricity.

The Auswide Bank floating rate note was sold in July 2015 at a premium to face value, and CIP (Holding) Limited bought the office fixtures and equipment under lease at the carrying value (after paying back principal over 18 months).

The Fund's exposure to small capitalisation stocks continues to outperform the broader market. Small capitalisation stocks require significant hands-on portfolio management and research, and are best managed in a portfolio environment. Currently the Fund has holdings in Cromwell Property Group (ASX:CMW), IRESS Market Technology (ASX:IRE), NIB Holdings (ASX:NIB), Programmed Maintenance Services (ASX:PRG) and Washington H Soul Pattinson (ASX:SOL) with a total value of around $755,000. During the year we took the opportunity to sell ALE Property Group (ASX:LEP), and a portion of the holding in NIB to realise profits of $46,977.

In early 2014, the investment committee investigated the potential to install solar panels on the extensive and essentially flat roof of Suncorp House. Analysis based on energy consumption from the existing tenants, suggests an internal rate of return (IRR) of more than 18 per cent. The bulk of the System was installed in July 2014, and the solar panels are currently supplying electricity the common areas of the building (including air conditioning) and to Capricorn Investment Partners Limited. The investment committee expects additional power will be purchased by the remaining tenants as appropriate meters and monitoring equipment are installed.

As at 31 August 2015, cash and ASX-listed securities totalled approximately $1.167 million. These liquid assets account for approximately 14 per cent of the value of the Fund.

CDIF has paid distributions to unit holders each quarter since March 2012. The total value of the distributions made is $962,766, or 14 cents per unit. The Fund has been using up tax losses and as a consequence the first six distributions made by way of capital return and were not taxable. The ongoing treatment of distributions depends on the nature of income received by the fund, and the accounting treatment of various assets. For the financial year ended 30 June 2015, rents derived from Suncorp House were held within CB Grand Pty Ltd (a 10% owned subsidiary of the Fund), as tax losses in that vehicle were offset. This decision affects reported results, because retained profits related to the rental of Suncorp House are not recorded as income to the Fund until this revenue is distributed from CB Grand to the Fund.

During the period, the Fund investigated investments in an aircraft lease and a child care centre. Timing issues prevented the completion of the investment in the aircraft lease, and a last minute change in terms by the vendor meant we chose to walk away from the child care centre opportunity.

In August 2015, the Fund determined to make an investment in Federation Villages, a retirement living facility in Melbourne. This well established operation is being purchased by Eighth Gate, and CDIF was invited to participate. The investment of $3 million was completed in September 2015, and is expected to yield in excess of 8 per cent. It has been funded 50 per cent debt and 50 per cent cash.

With the completion of Suncorp House and the implementation of the diversification measures discussed above, distributions are expected to increase gradually. The manager continues to investigate further investments which it believes have attractive prospects, but which are difficult or not practical for individuals to own independently.

David French

Managing Director, CIP Licensing Limited

DIRECTORS' REPORT

The Directors of CIP Licensing Limited ("CIPLL"), the Responsible Entity for the Capricorn Diversified Investment Fund, ("the Fund") submit the following statutory report for the Fund for the financial year ended 30 June 2015. CIPLL is an unlisted public company incorporated under the Corporations Act 2001, and holds an Australian Financial Services Licence. CIPLL was incorporated on 6 January 2015 and became Responsible Entity of the Fund on 4 May 2015.

In order the comply with the provisions of the Corporations Act 2001, the Directors report as follows.

1 : Directors

The names of the Directors of the Responsible Entity who held office at any time during the year and up to the date of this report are as follows.

David Mackay French (appointed 6 January 2015)

Owen Glendower Evans (appointed 6 January 2015)

Michael Kenneth Peet (appointed 6 January 2015)

Lance Patrick Livermore (appointed 22 April 2015)

Christopher John Heyworth (appointed 22 April 2015)

2 : Principal Activities

The principal activities of the Fund during the year were those of a managed investment scheme.

3 : Operating and Financial Review

The result of the operations of the Fund during the year was a loss of $104,681 (2014 - profit of $358,159).

4 : Investment Strategy

The investment strategy of the Fund is to;

- only invest in financial assets, which may include companies or other unit trusts that invest in asset classes such as equities (Australian and international), property, and fixed interest.

- be a 'long-only' Fund, comprising a balanced portfolio of primarily ASX listed investments and complementary unlisted investments; and

- where appropriate, take positions in unlisted infrastructure and property related entities.

The weightings for each asset class will be determined by the Fund's investment committee.

5 : Distributions

During the 2015 year, 4 distributions, each of 1.00 cents per issued unit, were made (2014 : 4 distributions of 1.00 cents per unit). No distributions have been declared post year-end.

Distributions for the 2015 year comprised 100% capital.

6 : Significant Changes in the State of Affairs

On 4 May 2015, the Fund's Responsible Entity changed from Capricorn Investment Partners Limited to CIP Licensing Limited.

7 : Significant Events After Balance Date

The Fund's investment in Auswide Bank (formerly Wide Bay Australia) floating rate notes, which was valued at $516,240 at 30 June 2015, was sold in July 2015 for gross proceeds of $517,310.

In September 2015, the Fund completed a $3,000,000 investment in units of the Eighth Gate Residences Fund # 6. The investment was funded by means of $1,500,000 from existing cash holdings and a $1,500,000 loan from the National Australia Bank.

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 of the Responsible Entity, to significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

8 : Likely Developments

The Fund will seek to lease the remaining space in Suncorp House. It will also seek out new investment opportunities. The aim is to provide steady long-term returns to unitholders in accordance with the Product Disclosure Statement.

DIRECTORS' REPORT (continued)

9 : Indemnification of Directors and Officers

During the financial year, the Responsible Entity paid a premium in respect of a contract insuring the Directors of the Responsible Entity (as named above) against a liability incurred as such a director, secretary, or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the financial year, except the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or any related body corporate against a liability incurred as such an officer or auditor.

10 : Environmental Regulation

The Fund'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 : Proceedings on behalf of the Fund

There were no proceedings either by the Fund or against the Fund during the year, or at the date of this report.

12 : Scheme information to be included in the Directors' Report

The Responsible Entity received $106,809 (2014 - $100,161) in management fees from the Fund during the financial year.

The Responsible Entity and the Directors of the Responsible Entity held the following interests in the Fund at the end of the financial year.

Beneficial owner	Units	Proportionate holding
David French	270,935	2.9%
Owen Evans	275,340	3.0%
Michael Peet	-	0.0%
Lance Livermore	-	0.0%
Christopher Heyworth	83,324	0.9%

13 : Auditor Independence

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

Signed on behalf of the Directors of the Responsible Entity, CIP Licensing Limited.

David French

Director, CIP Licensing Limited

16 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration under s.307C of the *Corporations Act 2001* to the Directors of CIP Licensing Limited, the responsible entity of the:

Capricorn Diversified Investment Fund

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been:

(i) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

A B Narayanan
Partner

16 September 2015
Brisbane, Queensland

HLB Mann Judd (SE Qld Partnership) ABN 68 920 406 716
Level 15, 66 Eagle Street, Brisbane QLD 4000 | GPO Box 5225 Brisbane QLD 4001
Telephone +61 (0)7 3001 8800 | Facsimile +61 (0)7 3221 0812 | Email: infobne@hlbqld.com.au | Website: www.hlb.com.au

Statement of Comprehensive Income
for the Year Ended 30 June 2015

	Note	2015 $	2014 $
Revenue from continuing operations			
Trust distributions received		17,406	17,031
Dividend income		23,161	18,590
Gains on share sales		45,996	381,670
Interest income		45,664	55,002
Total revenue		**132,227**	**472,293**
Expenses from continuing operations			
Scheme administration fees		106,809	100,161
Consultants		3,028	13,590
Writedown on recoverable amount - loan		25,000	-
Movement in fair value - shares		101,727	-
Other expenses		344	383
Total expenses from continuing operations		**236,908**	**114,134**
Operating Profit / (Loss) before tax		**(104,681)**	**358,159**
Income tax expense / (benefit)	3	-	-
Profit / (Loss) for the year		**(104,681)**	**358,159**
Other comprehensive income			
Unrealised gain / (loss) arising on revaluation of available for sale assets		**13,274**	**(229,024)**
Other comprehensive income for the period (net of tax)		-	-
Total comprehensive income for the period		**(91,407)**	**358,159**

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2015

	Note	2015 $	2014 $
Current Assets			
Cash and cash equivalents	10	745,060	724,758
Trade and other receivables	4	11,226	13,909
Available for sale financial assets	5	7,288,137	1,997,129
Total Current Assets		**8,044,423**	**2,735,796**
Non Current Assets			
Loans to related parties	6	30,000	5,111,881
Total Non Current Assets		**30,000**	**5,111,881**
Total Assets		**8,074,423**	**7,847,677**
Current Liabilities			
Trade and other payables	7	100,910	93,805
Total Current Liabilities		**100,910**	**93,805**
Total Liabilities		**100,910**	**93,805**
Net Assets		**7,973,513**	**7,753,872**
Net Assets Attributable to Unitholders			
Units issued	8	8,014,385	7,703,337
Reserves	9	63,809	50,535
Undistributed income / (retained losses)		(104,681)	-
Total Net Assets Attributable to Unitholders		**7,973,513**	**7,753,872**

The accompanying notes form part of these financial statements

Statement of Changes in Net Assets Attributable to Unitholders for the Year Ended 30 June 2015

	Units issued	Reserves	Undistributed Income	Total Equity
	$		$	$
Balance at 1 July 2013	6,763,137	279,559	(52,594)	6,990,102
Profit (Loss) for the year	-		358,159	358,159
Other comprehensive income	-	(229,024)	-	(229,024)
Units issued - for cash	1,051,108	-	-	1,051,108
Units issued - for financial assets	198,905	-	-	198,905
Redemption of units	(294,479)	-	-	(294,479)
Payments of income distributions	-	-	(305,565)	(305,565)
Capital returns	(15,334)	-	-	(15,334)
Balance at 30 June 2014	**7,703,337**	**50,535**	**-**	**7,753,872**
Profit (Loss) for the year			(104,681)	(104,681)
Other comprehensive income		13,274		13,274
Units issued - for cash	975,944			975,944
Redemption of units	(314,007)			(314,007)
Payments of income distributions				-
Capital returns	(350,889)			(350,889)
Balance at 30 June 2015	**8,014,385**	**63,809**	**(104,681)**	**7,973,513**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the Year Ended 30 June 2015

Cash flows from operating activities	Note	2015 $	2014 $
Interest received		46,641	55,002
Dividends and trust distributions received		40,454	45,861
Payments to suppliers and employees		(100,226)	(121,739)
Net cash inflows / (outflows) from operating activities	10	**(13,131)**	**(20,876)**
Cash flows from investing activities			
Payments for purchase of financial assets		(430,185)	(68,913)
Proceeds from sale of financial assets		145,025	2,042,535
Net cash inflows from investing activities		**(285,160)**	**1,973,623**
Cash flows from financing activities			
Proceeds from issue of units		975,942	1,051,108
Payments for redemption of units		(314,007)	(294,479)
Payments of distributions		(343,342)	(310,233)
Proceeds / (repayments) of borrowings from related entities		-	(3,342,222)
Net cash inflows from financing activities		**318,593**	**(2,895,826)**
Net increase / (decrease) in cash and cash equivalents		20,302	(943,080)
Cash and cash equivalents at the beginning of the financial year		724,758	1,667,838
Cash and cash equivalents at the end of the financial year		**745,060**	**724,758**

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the Year Ended 30 June 2015

1. Corporate Information

Capricorn Diversified Investment Fund ("Fund") is domiciled in Australia. The Responsible Entity, CIP Licensing Limited ("CIPLL"), is an unlisted public company limited by shares incorporated and domiciled in Australia. The ultimate parent entity of CIPLL is CIPL (Holding) Limited, an Australian unlisted public company.
The principal place of business and registered office of the Responsible Entity is Suite 1B, Suncorp House, 103 Bolsover Street, Rockhampton Queensland.

The objective of the Fund is to construct and maintain a portfolio that meets the requirements of;

- matching identified Fund risk profile to portfolio risk;
- balancing income and growth requirements;
- achieving generally accepted financial standards for diversity with respect to modern portfolio theory (related to risk); and
- lowering the overall cost of management for investors.

These financial statements were authorised for issue by the directors of the Responsible Entity on 16 September 2015.

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 the entity consisting solely of Capricorn Diversified Investment Fund.

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

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

The Fund is an "Investment Entity" as defined by AASB 10 and is therefore ineligible to consolidate any of its controlled entities. Investments in subsidiary companies are therefore carried at fair value.

Compliance with IFRS's

This financial report also 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 non "loans and receivable" financial assets held by the Fund are classified as available for sale and are stated at fair value. 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 financial assets are recognised in the profit or loss when the Fund's right to receive dividends is established.

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 receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Notes to the Financial Statements for the Year Ended 30 June 2015

2. Statement of Significant Accounting Policies (continued)

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 profit or loss.

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 available for sale 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 Fund 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 Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and the associated liability for any amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund 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 Fund after deducting all of its liabilities. Equity instruments issued by the Fund are recognised at the proceeds received, net of direct issue costs.

Unitholder Funds are classified as equity and disclosed as such in the statement of financial position. Unit holders may only redeem their units at the discretion of the directors of the Responsible Entity.

Financial liabilities

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

Derecognition of financial liabilities

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

Fair value estimation

The fair value of instruments that are not traded in active markets is determined using valuation techniques. The Fund may use a variety of methods and makes assumptions that are based on market conditions existing at balance date. Techniques may include reference to the actual price paid in recent sale transactions or quoted redemption prices, or through formal external valuation.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements
for the Year Ended 30 June 2015

2. Statement of Significant Accounting Policies (continued)

Receivables

Receivables include outstanding settlements and accrued interest and dividend revenue.

Receivables are recognised and carried at original contract / invoice amount less any allowance 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 Fund.

Issued units

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

Revenue recognition

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

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. This applies even if they are paid out of pre-acquisition profits.

Rental income

Rents are recognised when receivable under the relevant agreement.

Taxes

Income tax

The Fund is not subject to income tax. All taxable income will be distributed to unitholders, who will pay income tax at their applicable tax rate. Tax losses cannot be distributed to unitholders and will remain within the Fund to offset future taxable income. Consequently, tax effect accounting cannot be applied by the Trust itself.

Goods and services tax (GST)

The Fund's revenue from the sale of marketable securities and receipt of dividends and interest are "financial supplies" for GST purposes and are not subject to GST. The Fund's expenses are classified as being incurred in relation to the making of a financial supply and accordingly input tax credits on expenditure cannot be claimed. The Fund is entitled to claim reduced input tax credits of 75% of the GST paid on qualifying expenditures set out in Regulation 70-5 of the GST Regulations.

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.

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.

During the 2015 financial year, AASB10 became effective. The result of the application of AASB 10 was that CB Grand Pty Ltd, a subsidiary of the Fund, could no longer be consolidated with the accounts of the Fund.

Consequently, comparatives for the 2014 financial year have been adjusted such that they show the result as if CB Grand had not been consolidated during that year or any prior year

Notes to the Financial Statements
for the Year Ended 30 June 2015

2. Statement of Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Fund 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.

Significant accounting judgements, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Fund'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:

Available for Sale

The Fund 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).

All other financial assets have been classified as held as available for sale on the basis of the Fund's objective of generating returns via long term investment.

(ii) Significant accounting estimates and assumptions

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, such as reference to the actual price paid in recent sale transactions or quoted redemption prices, or through formal external valuation.
The Fund has also made significant judgements relating to the various inputs used to estimate the net present value of the investment property owned by its subsidiary, CB Grand Pty Ltd. Details of these inputs are provided in Note 11.

New Standards/Interpretations

During the year, the Fund 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.

The Fund has determined that it is an Investment Entity under Australian Accounting Standard AASB 10. Under this standard, an entity is an Investment Entity if (a) it obtains funds from one or more investors for the purpose of providing those investors with investment management services; (b) it commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and (c) it measures and evaluates the performance of substantially all its investments on a fair value basis. As the Fund meets all these criteria, it is an Investment Entity.
The effect of this determination is that controlled entities of the Fund, such as subsidiary companies, are not consolidated with the Fund itself. Instead, investments in controlled entities are recorded at fair value on the Fund's statement of financial position.

Other than the above, it has been determined by the Fund 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 Fund 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 2015, 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.

"Application date" is for annual reporting periods beginning on or after the date shown in the above table.

Overall, the Fund 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 2015

3. Income Tax

The Fund's net income is not subject to income tax, provided that it pays out all of its net taxable income to its unitholders. During the 2015 financial year, the Fund paid out its entire net taxable income to unitholders.

	2015	2014
	$	$
4. Current Trade and Other Receivables		
Trust distribution receivable	4,046	3,934
GST receivable	6,286	9,039
TFN withholding credits	894	936
	11,226	**13,909**

There were no impaired receivables, nor receivables past due not impaired, at 30 June 2015 (2014 : $nil). Refer Note 11 for information on risk exposure.

5. Available for sale financial assets

Available for sale financial assets		
Listed investments	1,271,582	1,177,272
Unlisted investments	6,016,555	819,857
Total investments	**7,288,137**	**1,997,129**

Movements in investments were as follows

Listed investments		
Opening balance	1,177,272	2,408,981
Purchases	180,118	267,815
Sales	(127,900)	(1,601,073)
Unrealised gains / (losses)	42,092	101,549
Closing balance	**1,271,582**	**1,177,272**
Unlisted investments		
Opening balance	819,857	1,210,848
Purchases	5,298,426	-
Sales	-	(389,992)
Unrealised gains / (losses)	(101,728)	(999)
Closing balance	**6,016,555**	**819,857**

Refer to Note 11 for further disclosure on fair value measurements and classifications as they pertain to the assets listed above.

ASX listed and other traded securities are valued at their closing bid price at year end. Unlisted securities almost entirely comprise shares in CB Grand Pty Ltd valued at $5,764,601, a convertible note in Village National Holdings Limited valued at $250,000

The CB Grand Pty Ltd shares were acquired via the conversion to shares of a loan from the Fund to CB Grand. The principal asset of CB Grand is the "Suncorp House" building located at 103 Bolsover Street, Rockhampton, Queensland.

Refer Note 11 for information on risk exposure.

Notes to the Financial Statements
for the Year Ended 30 June 2015

	2015	2014
	$	$
6. Loans to related parties		
Loan to CB Grand Pty Ltd	-	5,056,881
Loan to Development Services Pty Ltd	30,000	55,000
	30,000	**5,111,881**

The loan to CB Grand Pty Ltd at 30 June 2014 was in respect of cash advanced by the Fund to finance the acquisition and construction of the New Grand building owned by that company. CB Grand is a wholly owned subsidiary of CDIF, which was previously consolidated in the Fund's financial statements. As set out in Note 2 to the financial statements, the new Australian consolidation accounting standard AASB 10 does not permit the consolidation of CB Grand into CDIF and thus the loan is shown as a separate asset in the accounts of CDIF at 30 June 2014.

On 26 June 2015, the loan to CB Grand was converted to ordinary shares in CB Grand.

Development Services Pty Ltd is a company controlled by the Fund but not consolidated. Refer Note 16.

7. Trade and other payables		
Distribution payable	91,910	84,404
Trade creditors	-	9,401
Accrued expenses	9,000	-
Total trade and other payables	**100,910**	**93,805**

8. Issued units

As at 30 June 2015, there were 9,186,413 ordinary fully paid units on issue (2014 : 8,437,191)

Unit movements were as follows:	**No. of Units**	**$**
Balance at 1 July 2013	7,392,393	6,763,137
Issue of units for cash	1,153,986	1,051,108
Issue of units for investment assets	212,887	198,905
Capital returns paid	-	(15,334)
Redemption of units	(322,075)	(294,479)
Balance at 30 June 2014	**8,437,191**	**7,703,337**
Issue of units for cash	1,102,080	975,944
Redemption of units	(352,858)	(314,007)
Capital returns paid	-	(350,889)
Balance at 30 June 2015	**9,186,413**	**8,014,385**

Units allow unitholders to receive distributions from the Fund in proportion to their unitholding.

Notes to the Financial Statements
for the Year Ended 30 June 2015

	2015 $	2014 $
9. Reserves		
Financial asset reserve	63,809	50,535
	63,809	**50,535**

The above reserve represents the unrealised gain / (loss) on available for sale financial assets.

Movement in reserve		
Opening balance beginning of year	50,535	279,559
Decreases due to sale of assets	(28,819)	(329,573)
Increases in value of assets	57,430	103,124
Decreases in value of assets	(15,337)	(2,575)
Closing balance end of year	**63,809**	**50,535**

10. Cash and Cash Equivalents

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents comprise:		
Cash at financial institutions	745,060	724,758
	745,060	**724,758**

(b) Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities

Profit (loss) for the year after tax	(104,681)	358,159
Accounting gain on sale of investments	(45,996)	(381,670)
Fair value adjustments	126,727	-
(Increase) / decrease in receivables	2,683	3,372
Increase / (decrease) in payables	8,136	927
Increase / (decrease) in provisions	-	(1,664)
Net cash inflows / (outflows) from operating activities	**(13,131)**	**(20,877)**

11. Financial Instruments Disclosure

(a) Capital risk management

The capital structure of the Fund consists of cash and securities (listed and unlisted).
The Responsible Entity aims to ensure that there is sufficient capital for possible redemptions by unitholders by maintaining a minimum of 5% of its total assets in cash and cash equivalents. Also, redemptions are only permitted at the discretion of the Responsible Entity.

The Fund has no restrictions or specific capital requirements on the application and redemption of units. The Fund's overall investment strategy is detailed in the Directors' report.

Financial assets		
Cash at bank	745,060	724,758
Available for sale financial assets	7,288,137	1,997,129
	8,033,197	2,721,887
Financial liabilities		
Trade and other payables	-	9,401
	-	9,401

Notes to the Financial Statements
for the Year Ended 30 June 2015

11. Financial Instruments Disclosure (continued)

The Fund's activities expose it to financial risks. These risks can be broadly classified into market risk, credit risk, and liquidity risk. Market risk itself is further comprised of price risk, interest rate risk, and currency risk. The Fund's overall risk management programme focuses on minimising potential adverse effects arising from all these risks on the financial performance of the Fund. Risk management techniques include holding a range of different investments in the portfolio, conducting reviews of existing investments, keeping borrowings to a prudent level and maintaining spare borrowing capacity, and investing only in Australian dollar denominated assets.

The Fund outsources the investment management process to the Responsible Entity, CIP Licensing Limited ("CIPLL"). CIPLL provides services to the Fund, co-ordinates access to financial markets and the local property market, and manages the financial risks relating to the operations of the Fund in accordance with an investment man

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

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

(a) Market risk

(i) Price risk

Price risk, in the form of equity securities price risk, primarily affects financial assets of the Fund.

The Fund is exposed to fluctuations in the unit price of its investments. These fluctuations are driven by the performance of the underlying Fund or company, but are also impacted the economy generally and the performance of equity markets.

The Fund manages these risks through regular monitoring of each investment and its overall financial position.

Due to general market and investment specific fluctuations, the overall value of the Fund's portfolio of investments will change. As changes in the value of investments are reflected in reserves, changes in the value of investments will be shown in equity via the statement of comprehensive income. Based on the investments held at 30 June 2015, had the portfolio's value increased/decreased by 10%, the Fund's closing equity would have been $728,814 higher / $728,814 lower (2014 - $117,923 higher / $117,923 lower). The movements shown of plus or minus 10% are based on the Fund's estimation of reasonably likely changes in the value of the overall portfolio of securities held. However, given the past and present volatility of the stockmarket, increases or decreases in excess of this amount are possible.

(ii) Interest rate risk

The Fund's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of a change in market interest rates, is minimal in respect of the Fund's assets due to the nature and composition of the assets held. Accordingly, no risk management transactions are entered into. In relation to assets, the only effect of interest rate movements would be to affect the amount of interest revenue derived by the Fund on its cash deposits.

As the Fund had no borrowings and consequently no interest expense, it cannot be adversely affected by interest rate increases. However, the Fund does have substantial cash deposits, and a decline in interest rates would reduce the income earned from those deposits.

The sensitivity analysis below has been calculated based on the Fund's exposure to interest rates at the reporting date and the assumed change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial instruments (being Wide Bay floating rate notes) and cash deposits that have floating interest rates.

The effect on the Fund's profit and equity of interest rates increasing or decreasing by 50 basis points is set out below. Such a possible variation over a year is considered reasonable by the Fund.

	Interest rate risk			
2015	**0.5%**		**(0.5%)**	
	Operating Profit	**Equity**	**Operating Profit**	**Equity**
	$	**$**	**$**	**$**
Increase / (decrease)	3,725	3,725	(3,725)	(3,725)
Totals	**3,725**	**3,725**	**(3,725)**	**(3,725)**

Notes to the Financial Statements
for the Year Ended 30 June 2015

11. Financial Instruments Disclosure (continued)

(ii) Interest rate risk (continued)

2014

	0.5%		(0.5%)	
	Operating Profit $	Equity $	Operating Profit $	Equity $
Increase / (decrease)	6,124	6,124	(6,124)	(6,124)
Totals	**6,124**	**6,124**	**(6,124)**	**(6,124)**

(iii) Currency risk

The Fund holds only Australian denominated assets, and hence has no currency exposure risk.

(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 balance sheet is the carrying amount. The Fund is not materially exposed to any significant individual credit risk arising from receivables. None of these receivables are secured.

The Fund 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.

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

	Not past due or impaired 2015	Not past due or impaired 2014
Cash at bank - ANZ Banking Group	745,060	724,758
Trust distributions receivable	4,046	3,934
	749,106	**728,692**

No receivables were past due or impaired at 30 June 2015 or 30 June 2014.

(c) Liquidity risk

As disclosed in the Fund's Product Disclosure Statement, unitholders are not able to redeem their units in the Fund, except at the discretion of the directors of the Responsible Entity. Liquidity risk for the Fund is therefore assessed as very low. During the 2015 and 2014 years, some units were redeemed following investor requests. Further requests may or may not be granted.

The Fund's investments include both listed and unlisted securities, together with a property holding. The unlisted securities and the property holding are not traded in a market and may prove difficult to sell at their fair value within a short timeframe.

Liquidity risk is managed by ensuring that cash and listed securities make up a substantial portion of the Fund's assets, thus allowing redemption requests to be met. As at 30 June 2015, such assets made up approximately 24.9% (2014 - 24.2%) : of the total assets of the Fund.

Notes to the Financial Statements
for the Year Ended 30 June 2015

11. Financial Instruments Disclosure (continued)

The Fund's financial liabilities comprise payables and distributions due to unitholders, which are not material to the Fund. These are summarised below.

	On demand	1 month or less	1 month to 3 months
2015	**$**	**$**	
Financial liabilities			
Trade creditors	-	-	-
Distribution payable	-	-	91,910
Balance available	-	-	91,910

	On demand	1 month or less	1 month to 3 months
2014	**$**	**$**	
Financial liabilities			
Trade creditors	-	9,401	-
Distribution payable	-	-	84,404
Balance available	**-**	**9,401**	**84,404**

(d) Other market risks

The Fund is exposed to fluctuations in the property market through its investment in its fully owned subsidiary, CB Grand Pty Ltd. The property investment is managed by the Responsible Entity in accordance with the Fund's constitution. The Responsible Entity manages all facets of managing the property, all administrative matters involving the tenant, and all statutory requirements.

As year end, CIPL (Holding) Limited, Suncorp, and Chango Chango (a bar and restaurant) are occupying the majority of the premises. There is a risk that the property may not be able to be fully leased, or the actual income received will be less than expected due to lower than expected rentals. If this occurs, income from the investment, and its resultant value, will be reduced. This will result in a reduction in the value of the Fund's investment in CB Grand, and a charge against the assets and income of the Fund.

(e) 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.

The Fund has adopted the amendment to AASB 7 Financial Instruments : Disclosures which 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)

Notes to the Financial Statements
for the Year Ended 30 June 2015

11. Financial Instruments Disclosure (continued)

The following table presents the Fund's assets measured and recognised at fair value.

Fund - as at 30 June 2015

	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets held as available for sale	1,271,582	-	6,016,555	7,288,137
Total assets	1,271,582	-	6,016,555	7,288,137

Fund - as at 30 June 2014

	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets held as available for sale	1,177,272	-	819,857	1,997,129
Total assets	1,177,272	-	819,857	1,997,129

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 Fund 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. Level 3 financial assets consist of shares in CB Grand Pty Ltd ("CB Grand") and a convertible note in Village National Holdings Limited.

The following table presents the change in level 3 instruments.

Fund	**Other financial assets held available for sale**	
	2015	**2014**
Opening balance	819,857	1,210,848
Securities sold	-	(389,992)
Securities acquired	5,298,426	-
Revaluations / (Decreases) in fair value	(101,728)	(999)
Closing balance	**6,016,555**	**819,857**

The securities acquired comprise a $250,000 convertible note in Village National Holdings Limited and $5,048,426 of shares in CB Grand Pty Ltd. The latter arose upon conversion of a loan which previously existed between CDIF and CB Grand, and the proceeds of which had been used to construct Suncorp House. The loan was converted into shares in June 2015 in order to provide more transparency to investors regarding the underlying assets of the Fund following a change in Accounting Standards than meant the assets of CB Grand would no longer be consolidated with the Fund for financial reporting purposes. Had the loan not been converted into shares, the Fund financial statements would only have shown a loan to CB Grand rather than the fair value of CB Grand.

As the shares in CB Grand comprise a material investment of the Fund, further details on the calculation of the value of these shares and the relevant underlying assumptions are provided below.

The fair value of the investment in CB Grand is determined by reference to the value of the net assets owned by CB Grand. Movements in the value of these underlying assets will directly affect the value of the Fund's investment.

As at 30 June 2015, the net assets of CB Grand comprised net cash and minor fixed assets of approximately $424,000 and Suncorp House, valued at approximately $5.342 million. Details on the movement of carrying amount of Suncorp House are provided below.

Movements in carrying amounts of Suncorp House

	2015	**2014**
Opening carrying value	5,501,658	2,997,791
Additions - costs of construction	-	2,515,658
Partial sale of fitout of building	(116,736)	-
Less - impairment	(31,128)	(11,791)
Less - transfer to depreciating assets	(11,368)	
Balance at end of year	**5,342,426**	**5,501,658**

Suncorp House is situated at 103 Bolsover Street, Rockhampton, Queensland. The property's development was completed in January 2014 and tenants moved in shortly thereafter. Changes in the value of Suncorp House will directly affect the value of the CB Grand shares owned by the Fund. Details regarding the valuation of Suncorp House are set out below.

Notes to the Financial Statements for the Year Ended 30 June 2015

11. Financial Instruments Disclosure (continued)

Valuation methodology and key assumptions

The 30 June 2015 investment property valuation has been calculated by management and is based on the Net Present Value ("NPV") of the expected future cashflows from the building once it is fully leased. This NPV methodology gave an estimated value for the property of $5,342,426 compared to a carrying value of $5,373,554. The carrying value of the investment property has been reduced by $31,128 to reflect the difference in the NPV calculated.

In order to estimate the NPV as at 30 June 2015, it is necessary to make several key assumptions. These are set out below;

(a) Discount rate

The discount rate selected for the NPV calculation is 8.0% (2014 - 8.0%). This is higher than the yield derived on available, comparatively recent sales of commercial properties in the Rockhampton area, which ranged from 7.66% to 7.79% . It also takes into account current market interest rates.

(b) Rental income & vacancy rates

At year end, Suncorp, CIP (Holdings) Limited, and Chango Chango (a restaurant and bar) are leasing a total of 76% of the building's lettable space at a gross rate of $310/sq metre for Suncorp, and $380/sq metre for CIPL (Holdings), and $395/sq metre for Chango Chango. It is assumed that the remainder of the upper storey of the building can be leased for $395/sq metre. A vacancy rate of 6.3% (2014 - 5.9%) has been assumed over the building's life.

(c) Outgoings

These have been assumed to be $59 /sq metre (2014 - $65/sq metre). The rates for 2015 have been adjusted to reflect actual results rather than estimates as in 2014.

(d) Growth of income and expenses

Rental income has been assumed to increase at a rate of 3.4% pa, (2014 - 3.4%) as allowed by the Suncorp and CIPL leases) while expenses have been assumed to rise at 6.0% pa (2014 - 6.0%).

(e) Surplus land

There is approximately 677 sq metres of remaining land space for further development or sale. To be conservative, 298 sq metres of this land has been classified as surplus and is valued at $162,836. (2014 - assumed 298 sq metres classified as surplus).

(f) Project life

The project has been assumed to have a remaining life of 16 years. A terminal value in year 17 has been assumed as being approximately $5.373 million (2014 - $5.5 million), which equates to approximately $1.45 million in present value dollars.

Sensitivity of valuation to changes in assumptions

The NPV model is sensitive to changes in its input assumptions. The table below sets out the effect on the NPV in different scenarios;

Scenario	**# 1**	**# 2**	**# 3**	**# 4**	**# 5**	**# 6**
	$	**$**	**$**	**$**	**$**	**$**
Adjusted NPV under scenario	5,124,834	4,920,707	4,714,500	3,801,152	4,515,584	5,868,870
Current carrying value	5,342,426	5,342,426	5,342,426	5,342,426	5,342,426	5,342,426
Surplus / (deficit) to carrying value	**(217,592)**	**(421,719)**	**(627,926)**	**(1,541,274)**	**(826,842)**	**526,444**

Key to scenarios listed above;

1 - Discount rate of 8.5%, other inputs unchanged

2 - Discount rate of 9.0%, other inputs unchanged

3 - Vacancy rate of 20.0%, other inputs unchanged

4 - Vacancy rate of 40.0%, other inputs unchanged

5 - Discount rate of 8.5%, vacancy rate of 20.0%, other inputs unchanged.

6 - Discount rate of 7.5%, vacancy rate of 0%, other inputs unchanged

Valuation of Village National Holdings Limited convertible note

The note was acquired in May 2015 for $250,000. The note matures on 15 November 2017 and carries an interest rate of 8.5% pa payable 6 monthly. The note can be redeemed for cash on the maturity date or converted into ordinary shares in Village National Holdings Limited.

As the note was only recently acquired in an arms-length transaction, and no events have occurred since acquisition to change management's assessment of the investment, the note's fair value is assessed to be $250,000 at 30 June 2015.

Notes to the Financial Statements
for the Year Ended 30 June 2015

12. Auditor's Remuneration

	2015	2014
	$	$
Remuneration of HLB Mann Judd, the auditor of the Fund:		
Audit and review of the financial report *	-	-
Other services - tax and accounting *	-	-
	-	-

* - In 2015 and 2014, the audit fees were paid by CIP Licensing Limited and Capricorn Investment Partners Limited (the current and former Responsible Entities of the Fund), and not on-charged to the Fund. The other services relate to the preparation of the Fund's and CB Grand Pty Ltd's income tax return.

13. Events Subsequent to Balance Date

The Fund's investment in Auswide Bank (formerly Wide Bay Australia) floating rate notes, which was valued at $516,240 at 30 June 2015, was sold in July 2015 for gross proceeds of $517,310.

In September 2015, the Fund completed a $3,000,000 investment in units of the Eighth Gate Residences Fund # 6. The investment was funded by means of $1,500,000 from existing cash holdings and a $1,500,000 loan from the National Australia Bank.

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 of the Responsible Entity, to significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in future financial years.

14. Contingent Liabilities

There were no contingent liabilities existing at year end.

15. Commitments

There were no commitments at 30 June 2015.

16. Controlled Entities

Controlled entities not consolidated

Entity name	Country of incorporation	Percentage owned	
		2015	2014
CB Grand Pty Ltd	Australia	100%	100%
Development Services Pty Ltd	Australia	-	-

Although the Fund has no shares in Development Services Pty Ltd, it is considered a controlled entity of the Fund. This is because; (i) David French is a director the Fund's Responsible Entity and is also the sole shareholder of Development Services Pty Ltd, and, (ii) The purpose of Development Services Pty Ltd is to hold the liquor licence of the former Grand Hotel; and (iii) the redeveloped building ("Suncorp House") contains a restaurant and bar known as Chango Chango which uses this liquor licence.

Development Services Pty Ltd was not consolidated in either the 2015 or 2014 year. The net assets of Development Services Pty Ltd were negative $54,024 at 30 June 2015 (2014 : negative $53,929) and the entity recorded a loss of $96 for the 2015 year (2014 : loss of $781).

17. Fund details

The Responsible Entity of the Fund is CIP Licensing Limited ACN 603 558 658, which has its registered office at Suite 1B, 103 Bolsover Street, Rockhampton QLD 4700.

Notes to the Financial Statements
for the Year Ended 30 June 2015

18. Related Party Disclosures

(a) Units held by Directors

The number of units in the Fund held during the year by each Director in office during the year, including the directors' personally related entities, is set out below. Note, the table combines directors of Capricorn Investment Partners Limited (the former RE of the Fund, and CIP Licensing Limited, the current RE of the Fund).

2015

Name	Balance at the beginning of the year/ at appointment date	Purchased	Sold / redeemed	Balance at end of the year or retirement date
David French	270,935	-	-	270,935
Owen Evans	170,292	105,048	-	275,340
Michael Peet	-	-	-	-
Lance Livermore	-	-	-	-
Chris Heyworth	83,324	-	-	83,324

2014

Name	Balance at the beginning of the year	Purchased	Sold / redeemed	Balance at end of the year
Stephen Moss (resigned 15 August 2014)	157,885	-	-	157,885
David McKay French	270,935	-	-	270,935
Michael John Cranny (resigned 26 September 2013)	277,840	-	-	277,840

(b) Transactions with related entities

The related entities of the Fund comprised CIP Licensing Limited, Capricorn Investment Partners Limited, CB Grand Pty Ltd, CIPL (Holding) Limited, and Development Services Pty Ltd. The transactions with these parties are set out below.

	2015 $	2014 $
Management services fee paid to Capricorn Investment Partners Limited and CIP Licensing Limited	106,809	100,161
Amount owing from CB Grand Pty Ltd at year end	-	5,056,881
Conversion of amount owing from CB Grand Pty Ltd into shares	5,048,426	-
Amount owing to Capricorn Investment Partners Limited at year end	-	9,401
Amount owing from Development Services Pty Ltd at year end	30,000	55,000
Sale of fitout and furnishings to CIPL (Holding) Limited	169,216	-

Directors' Declaration

The Directors of the Responsible Entity declare that;

1. The financial statements and notes, as set out in pages 6 to 23, are in accordance with the Corporations Act 2001 and;
   a) Comply with Accounting Standards, which as stated in accounting policy Note 2, comply with International Financial Reporting Standards ("IFRS") and;
   b) give a true and fair view of the Scheme's financial position at 30 June 2015 and of its performance for the year ended on that date.

2. In the Directors' opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due.

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

David French, Director, CIP Licensing Limited
16 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Capricorn Diversified Investment Fund

Report on the Financial Report

We have audited the accompanying financial report of Capricorn Diversified Investment Fund ("the fund"), which comprises the statement of financial position as at 30 June 2015, 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 for the entity.

Directors' Responsibility for the Financial Report

The directors of the responsible entity of the fund 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 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 report complies 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 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 fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund'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
Level 15, 66 Eagle Street, Brisbane QLD 4000 | GPO Box 5225 Brisbane QLD 4001
Telephone +61 (0)7 3001 8800 | Facsimile +61 (0)7 3221 0812 | Email: infobne@hlbqld.com.au | Website: www.hlb.com.au

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 Diversified Investment Fund is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2015 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

Adrian

A B Narayanan
Partner

Brisbane, Queensland
16 September 2015