Capricorn Diversified Investment Fund

ARSN 139 774 646

ANNUAL REPORT 2017

For year ended 30 June 2017

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

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR
HLB Mann Judd

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OPERATIONAL REVIEW FOR YEAR ENDED 30 JUNE 2017

With total assets of around $13.1 million at 30 June 2017, the seventh year of operation for the Capricorn Diversified Investment Fund ("CDIF" / "Fund") was a watershed.

During the year the Fund paid distributions totalling 4 cents per unit. The Fund began paying distributions in March 2012, and distributions since inception total 22 cents per unit. Of these, 12 distributions were tax exempt and the remainder a mixture of capital and income. While capital distributions have the impact of reducing the unit price, it enables tax free distributions to be made.

Over the year to 30 June 2017, the assets of the Fund comprised cash, higher interest bank accounts, a convertible note issued by an accommodation provider (Village Life Limited), an amortising bond issued to NRW Holdings Limited, Suncorp House in Rockhampton, an approximate 16 per cent stake in a retirement village (Federation Villages) situated in Melbourne, and investments in solar electricity. All of these assets are generating income for the Fund.

Federation Villages is an operator of retirement villages / independent living facilities situated in Melbourne. The Fund's investment in Federation Villages is represented by its investment in Eighth Gate Residences Fund No.6, and has retuned about 7 per cent for the year. Returns from the investment comprise a mixture of rental income and deferred management fees captured when residences are sold. Returns for 2016/17 were somewhat below expectation due to a decline in the number of residences being sold over summer. The lag was well on its way to being recovered by June.

CDIF Solar Pty Ltd is a wholly-owned subsidiary of the Fund and manages a 40kw installation on Suncorp House and 50kw on the Tropical Pines Packing shed near Yeppoon. With a combined return of about 13 per cent, both systems are exceeding performance expectations. Negotiations are underway with Suncorp for the supply of electricity to their Suncorp House tenancy and Tropical Pines have requested a proposal for a solar installation placed on a packing shed to be built at the Sunshine Coast. A range of other exciting opportunities are progressing.

In December 2016 CDIF invested $500,000 into an amortising bond issued by NRW (ASX code NWH). The issue was only available to institutional investors and is secured by $90m of mining equipment (basically Caterpillar trucks). The term of the bond is 4 years, and the company pays back capital at a consistent rate over that term. A coupon of 7.5 per cent, calculated quarterly, is paid with respect to the capital value remaining after each payment of principal.

Yields on Suncorp House have been affected by depressed economic conditions prevailing in Rockhampton. Against this however, CIPL (Holding) Limited will be moving to a larger tenancy in approximately late October/early November, and there has been an increased level of enquiry for the vacant tenancy. The move by CIPL (Holding) will be accompanied by an increase in rental income and a separate lease relating to the fit-out.

During the year the Fund made a loan to a farming business to assist with a business restructuring. The yield on the loan was 8.5 per cent and it was fully repaid in February 2017.

Post the end of the financial year, the Fund entered into an arrangement to purchase a 36 seat Jet aircraft which is leased to Jetgo Australia Holdings Pty Ltd. The purchase was completed in July with a lease term of 5 years and an interest rate 8.5 per cent.

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. The overall return on the Fund is currently around 6 per cent and management's expectation is that the increased size of the Fund combined with implementation of the diversification measures discussed above, will result in gradually increasing distributions to unitholders.

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 2017. CIPLL is an unlisted public company incorporated under the *Corporations Act 2001* , and holds an Australian Financial Services Licence.

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

Owen Glendower Evans

Lance Patrick Livermore

Christopher John Heyworth

Nigel William Allfrey (appointed 30 September 2016)

Michael Kenneth Peet (resigned 30 September 2016)

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 profit of $214,695 (2016 - profit of $166,002). .

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 portfolio of 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 2017 year, 4 distributions, each of 1.00 cents per issued unit, were made (2016 : 4 distributions of 1.00 cents per unit). No distributions have been declared post year-end.

Distributions for the 2017 year were 100% capital for income tax purposes.

6 : Significant Changes in the State of Affairs

During the year, the Fund invested a further $2,000,000 in Eighth Gate Residences Fund No.6, bringing its total investment in that fund to $5,000,000.

7 : Significant Events After Balance Date

In July 2017, the Fund invested $2,000,000 into a fully owned subsidiary company which will undertake an aircraft leasing business. In July 2017, Chango Chango vacated its tenancy in the building owned by CB Grand Pty Ltd. A new tenant for this area of the building is being sought. During November 2017, CIPL (Holding) Limited will relocate from the ground floor to the upper level, increasing its occupancy of the building.

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 and identify 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 $167,743 (2016 - $134,402) 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	1.9%
Owen Evans	280,778	2.0%
Lance Livermore	-	0.0%
Christopher Heyworth	83,324	0.6%
Nigel Allfrey	-	0.0%

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

14 September 2017

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Capricorn Diversified Investment Fund 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.

A B Narayanan
Partner

Brisbane, Queensland
14 September 2017

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Statement of Comprehensive Income
for the Year Ended 30 June 2017

	Note	2017 $	2016 $
Revenue from continuing operations			
Trust distributions received		305,624	192,130
Dividend income		3,500	25,872
Gains on share sales		96,436	17,310
Interest income		56,626	29,174
Other		3,906	-
Forgiveness of loan from controlled entity		-	345,836
Total revenue		**466,092**	**610,322**
Expenses from continuing operations			
Scheme administration fees		167,743	134,402
Consultants		407	6,651
Movement in fair value - shares		-	211,373
Interest		81,200	68,314
Other expenses		2,047	23,580
Total expenses from continuing operations		**251,397**	**444,320**
Operating Profit / (Loss) before tax		**214,695**	**166,002**
Income tax expense / (benefit)	3	-	-
Profit / (Loss) for the year		**214,695**	**166,002**
Other comprehensive income			
Unrealised gain / (loss) arising on revaluation of available for sale assets		114,940	(27,583)
Other comprehensive income for the period (net of tax)		-	-
Total comprehensive income for the period		**329,635**	**138,419**

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2017

	Note	2017 $	2016 $
Current Assets			
Cash and cash equivalents	11	1,436,172	411,819
Trade and other receivables	4	118,926	70,338
Financial assets	5	250,000	743,998
Total Current Assets		**1,805,098**	**1,226,155**
Non Current Assets			
Financial assets	5	11,175,548	8,805,183
Loans to related parties	6	129,000	35,540
Total Non Current Assets		**11,304,548**	**8,840,723**
Total Assets		**13,109,646**	**10,066,878**
Current Liabilities			
Trade and other payables	7	156,896	130,123
Borrowings	8	157,500	157,500
Total Current Liabilities		**314,396**	**287,623**
Non Current Liabilities			
Borrowings	8	1,141,875	1,299,375
Total Non Current Liabilities		**1,141,875**	**1,299,375**
Total Liabilities		**1,456,271**	**1,586,998**
Net Assets		**11,653,375**	**8,479,880**
Net Assets Attributable to Unitholders			
Units issued	9	11,502,210	8,443,654
Reserves	10	151,166	36,226
Total Net Assets Attributable to Unitholders		**11,653,375**	**8,479,880**

The accompanying notes form part of these financial statements

Statement of Changes in Net Assets Attributable to Unitholders for the Year Ended 30 June 2017

	Units issued	Reserves	Undistributed Income	Total Equity
	$		$	$
Balance at 1 July 2015	8,014,385	63,809	(104,681)	7,973,513
Profit (Loss) for the year	-	-	166,002	166,002
Other comprehensive income	-	(27,583)	-	(27,583)
Units issued - for cash	887,891	-	-	887,891
Redemption of units	(125,578)	-	-	(125,578)
Payments of income distributions	-	-	(61,321)	(61,321)
Capital returns	(333,044)	-	-	(333,044)
Balance at 30 June 2016	**8,443,654**	**36,226**	**-**	**8,479,880**
Profit (Loss) for the year	-	-	214,695	214,695
Other comprehensive income	-	114,940	-	114,940
Units issued - for cash	3,769,157	-	-	3,769,157
Redemption of units	(390,698)	-	-	(390,698)
Payments of income distributions	-	-	(214,695)	(214,695)
Capital returns	(319,904)	-	-	(319,904)
Balance at 30 June 2017	**11,502,210**	**151,166**	**-**	**11,653,375**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the Year Ended 30 June 2017

Cash flows from operating activities	Note	2017 $	2016 $
Interest received		56,120	20,492
Dividends and trust distributions received		262,731	168,021
Payments to suppliers and employees		(181,219)	(154,404)
Interest paid		(81,071)	(68,313)
Net cash inflows / (outflows) from operating activities	11	**56,561**	**(34,204)**
Cash flows from investing activities			
Payments for purchase of financial assets		(2,898,490)	(3,000,000)
Proceeds from sale of financial assets		1,233,499	517,310
Net cash outflows from investing activities		**(1,664,991)**	**(2,482,690)**
Cash flows from financing activities			
Proceeds from issue of units		3,769,157	887,891
Payments for redemption of units		(390,698)	(125,578)
Payments of distributions		(494,716)	(385,535)
Loans made to borrowers		(300,000)	-
Repayment of loans from borrowers		300,000	-
Loan made to related entities		(99,000)	-
Repayment of loans from related entities		5,540	-
Proceeds of borrowing from related entities		-	350,000
Proceeds of borrowings - bank		-	1,575,000
Repayment of borrowings - bank		(157,500)	(118,125)
Net cash inflows from financing activities		**2,632,783**	**2,183,653**
Net increase in cash and cash equivalents		1,024,353	(333,241)
Cash and cash equivalents at the beginning of the financial year		411,819	745,060
Cash and cash equivalents at the end of the financial year	11	**1,436,172**	**411,819**

The accompanying notes form part of these financial statements

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

1. Corporate Information

The 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 14 September 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 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 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.

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.

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

2. Statement of Significant Accounting Policies (continued)

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.

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 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 2017

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.

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.

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

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 12.

New Standards and Interpretations

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 2017, 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 2018. The potential effects on adoption of the standard are yet to be determined	1 January 2018	1 January 2018

* The IASB has amended IFRS 9 to defer the mandatory effective date to annual reporting periods beginning on or after 1 January 2018. 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 2017

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 2017 financial year, the Fund incurred a tax loss (due to non-assessable trust distributions received) such that all distributions paid to unitholders comprised capital for income tax purposes.

	2017 $	2016 $
4. Trade and Other Receivables		
Trust distribution receivable	109,270	62,877
GST receivable	8,768	6,526
Other	888	935
	118,926	**70,338**

There were no impaired receivables, nor receivables past due not impaired, at 30 June 2017 (2016 : $nil). Refer Note 12 for information on risk exposure.

5. Financial assets

Current		
Financial assets		
Listed investments	-	743,998
Unlisted investments	250,000	-
Total current investments	**250,000**	**743,998**
Non-current		
Financial assets		
Unlisted investments	11,175,548	8,805,183
Total non-current investments	**11,175,548**	**8,805,183**

Movements in investments were as follows

Listed investments		
Opening balance	743,998	1,271,582
Purchases	398,490	-
Sales	(1,142,488)	(516,240)
Unrealised gains / (losses)	-	(11,344)
Closing balance	**-**	**743,998**
Unlisted investments		
Opening balance	8,805,183	6,016,555
Purchases	2,500,000	3,000,000
Sales / capital returns	(54,685)	-
Unrealised gains / (losses)	175,050	(211,373)
Closing balance	**11,425,548**	**8,805,183**

Refer to Note 12 for further disclosure on risk exposure, 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 investments comprise the following assets;

	2017 $	2016 $
CB Grand Pty Ltd - ordinary shares	5,723,477	5,553,228
Eighth Gate Residences Fund No.6 - stapled securities	5,000,000	3,000,000
Village Life Limited - convertible notes	250,000	250,000
NRW Holdings Limited- amortising note	450,116	-
Other	1,955	1,955
Total	**11,425,548**	**8,805,183**

All unlisted investments have been classified as non-current (except for the Village Life convertible note which matures in November 2017), as the Fund does not intend to liquidate them within the next 12 months. As at 30 June 2016, all listed investments were classified as current assets, as they were sold during September 2016.

The principal asset of CB Grand is the "Suncorp House" building located at 103 Bolsover Street, Rockhampton, Queensland.

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

	2017	2016
	$	$
6. Loans to related parties		
Loan to CB Grand Pty Ltd	-	5,540
Loan to Development Services Pty Ltd	30,000	30,000
Loan to CDIF Solar Pty Ltd	99,000	-
	129,000	**35,540**

Development Services Pty Ltd, CDIF Solar Pty Ltd, and CB Grand Pty Ltd are all controlled entities (100% owned) of the Fund. However, as the Fund is designated as an Investment Entity under AASB 10, none of the entities are consolidated with the Fund.

7. Trade and other payables		
Distribution payable	140,563	100,726
Trade creditors	16,333	5,397
Accrued expenses	-	24,000
Total trade and other payables	**156,896**	**130,123**

8. Borrowings		
Current		
National Australia Bank	157,500	157,500
Non-current		
National Australia Bank	1,141,875	1,299,375

In September 2015, the Fund borrowed $1,575,000 from the National Australia Bank for the purpose of acquiring units in the Eighth Gate Residences Fund No.6. By 30 June 2017, the principal outstanding had been reduced to $1,299,375. The facility expires on 31 August 2018, at which point it will need to be repaid or refinanced. Until then, the Fund is required to make principal repayments of $13,125 per month, plus interest.

9. Issued units

As at 30 June 2017, there were 14,056,261 ordinary fully paid units on issue (2016 : 10,068,048)

Unit movements were as follows:	No. of Units	$
Balance at 1 July 2016	9,186,413	8,014,385
Issue of units for cash	1,027,453	887,891
Capital returns paid	-	(333,044)
Redemption of units	(145,818)	(125,578)
Balance at 30 June 2016	**10,068,048**	**8,443,654**
Issue of units for cash	4,427,560	3,769,157
Capital returns paid	-	(319,904)
Redemption of units	(439,347)	(390,698)
Balance at 30 June 2017	**14,056,261**	**11,502,210**

Units allow unitholders to receive distributions from the Fund in proportion to their unitholding. Units are only redeemable at the discretion of the Responsible Entity.

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

	2017 $	2016 $
10. Reserves		
Financial asset reserve	151,166	36,226
	151,166	**36,226**

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

Movement in reserve		
Opening balance beginning of year	36,226	63,809
Decreases due to sale of assets	(60,110)	(16,240)
Increases in value of assets	175,050	69,437
Decreases in value of assets	-	(80,780)
Closing balance end of year	**151,166**	**36,226**

11. Cash and Cash Equivalents		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents comprise:		
Cash at financial institutions	1,436,172	411,819
	1,436,172	**411,819**

(b) Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities		
Profit (loss) for the year after tax	214,695	166,002
Accounting gain on sale of investments	(96,436)	(17,310)
Fair value adjustments	-	211,373
Forgiveness of loan from controlled entity	-	(345,836)
(Increase) / decrease in receivables	(48,635)	(68,830)
Increase / (decrease) in payables	(13,063)	20,397
Net cash inflows / (outflows) from operating activities	**56,561**	**(34,204)**

12. Financial Instruments Disclosure

(a) Capital risk management

The assets of the Fund chiefly comprise cash and unlisted securities. Via its investment in CB Grand Pty Ltd, the Fund also holds an investment property. These assets have been financed via the issue of units and borrowings.

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	1,436,172	411,819
Available for sale financial assets - current	-	743,998
Available for sale financial assets - non-current	11,175,548	8,555,183
Distributions receivable	109,270	62,877
Loans to related parties	129,000	35,540
Loans and receivables - non-current (convertible note maturing November 2017)	-	250,000
Loans and receivables - current (convertible note maturing November 2017)	250,000	-
	13,099,990	10,059,417

Financial liabilities		
Borrowings	1,299,375	1,456,875
Trade and other payables	16,333	5,397
Distribution payable	140,563	100,726
	1,456,271	1,562,998

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

12. 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 mandate.

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. As the Fund's exposure to other price risk is not material at the end of the reporting period, no sensitivity analysis on the effect of such risk has been provided.

(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 has both cash at bank and borrowings, it may be better or worse off from changes in interest rates, depending on how the relative proportions of each. As the Fund's cash holdings at 30 June 2017 exceeded its borrowings, then interest rate increases would generally have a positive effect on the Fund's performance.

The interest rate earned on cash at bank is variable, as is the interest charged on borrowings.

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 for 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			
2017	**increase 0.5%**		**decrease (0.5%)**	
	Operating Profit	**Equity**	**Operating Profit**	**Equity**
	$	**$**	**$**	**$**
Increase / (decrease)	684	684	(684)	(684)
Totals	**684**	**684**	**(684)**	**(684)**

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

12. Financial Instruments Disclosure (continued)

(ii) Interest rate risk (continued)

2016	increase 0.5%		decrease (0.5%)	
	Operating Profit $	Equity $	Operating Profit $	Equity $
Increase / (decrease)	(5,225)	(5,225)	5,225	5,225
Totals	**(5,225)**	**(5,225)**	**5,225**	**5,225**

(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 2017	Not past due or impaired 2016
Cash at bank	1,436,172	411,819
Financial assets - loans and receivables	250,000	250,000
Trust distributions receivable	109,270	62,877
	1,795,442	**724,696**

Loans and receivables comprise a convertible note in Village National Holdings Limited.

The trust distribution receivable of $109,270 was paid in full by Eighth Gate Residences Fund No.6 in August 2017.

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 a fixed 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 required interest payments on the note have been paid to the Fund as scheduled at all times during the financial year, the note is not regarded as impaired in any way, and its value is assessed to be $250,000 at 30 June 2017 (2016 : $250,000).

(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 2017 and 2016 years, some units were redeemed following investor requests. Further requests may or may not be granted.

The Fund's investments include 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 makes up a sufficient portion of the Fund's assets, thus allowing redemption requests to be met. As at 30 June 2017, cash made up approximately 11.1% (2016 - 4.1%) of the total assets of the Fund.

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

12. Financial Instruments Disclosure (continued)

The Fund's financial liabilities comprise borrowings, payables, and distributions due to unitholders.

	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
2017		$	$	$	$	$
Financial liabilities						
Trade creditors	-	16,333	-	-	-	-
Borrowings	5.865%	157,500	1,141,875	-	-	-
Distribution payable	-	140,563	-	-	-	-
Total		314,396	1,141,875	-	-	-

The borrowing facility expires on 31 August 2018. At this time, it will need to be repaid or refinanced. The amount shown in the 12 months to 2 years column above assumes it is all repaid. The interest rate is variable and repriced monthly.

2016						
Financial liabilities						
Trade creditors	-	5,397	-	-	-	-
Borrowings	5.95%	157,500	157,500	1,141,875	-	-
Distribution payable	-	100,726	-	-	-	-
Total		**263,623**	**157,500**	**1,141,875**	**-**	**-**

(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.

At year end, CIPL (Holding) Limited, Suncorp, and Chango Chango (a bar and restaurant) occupied the majority of the premises (with Chango Chango departing in July 2017). 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 2017

12. Financial Instruments Disclosure (continued)

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

Fund - as at 30 June 2017

	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets held as available for sale	-	450,116	10,725,432	11,175,548
Total assets	**-**	**450,116**	10,725,432	11,175,548

Fund - as at 30 June 2016

	Level 1	Level 2	Level 3	Total
Assets				
Other financial assets held as available for sale	743,998	-	8,555,182	9,299,180
Total assets	743,998	**-**	8,555,182	9,299,180

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 units in Eighth Gate Residences Fund No.6,

The following table presents the change in level 3 instruments.

Fund

	2017	2016
Opening balance	8,555,182	5,766,555
Securities acquired	2,000,000	3,000,000
Revaluations / (Decreases) in fair value	170,249	(211,373)
Closing balance	**10,725,431**	**8,555,182**

During 2017, the increase in fair value mainly comprised a $170,249 increase in the value of CB Grand Pty Ltd. This increase has been caused by a combination of the profitable leasing of Suncorp House by the company, offset by a decrease in the fair value of Suncorp House as described further below.

Valuation of investment in CB Grand Pty Ltd

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

As CB Grand is 100% owned by the Fund, the fair value of its investment in CB Grand is determined by reference to the value of the net assets of CB Grand. Movements in the value of these underlying assets will directly affect the value of the Fund's investment.

As at 30 June 2017, the net assets of CB Grand were $5.78 million. This figure comprised net current assets of around $374,000, fixed assets/plant & equipment of approximately $137,000, and Suncorp House, valued at approximately $5.21 million. Details on the movement in the carrying amount of Suncorp House are provided below.

	2017	2016
Opening carrying value	5,267,046	5,348,126
Less - impairment	(54,111)	(81,080)
Carrying value at end of year	**5,212,935**	**5,267,046**

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 2017

12. Financial Instruments Disclosure (continued)

Valuation methodology and key assumptions used to value Suncorp House

The 30 June 2017 valuation has been calculated by management via a Net Present Value ("NPV") model of the expected future cashflows from the building. This NPV methodology gave an estimated value for the property of $5,212,935 compared to a carrying value of $5,267,046. Consequently, the carrying value of the property has been reduced by $54,111 to reflect the difference in the NPV calculated.

In order to estimate the NPV as at 30 June 2017, 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% (2016 - 8.0%). This is in line with the yield observed on similar properties in the Rockhampton area. It also takes into account current market interest rates.

(b) Rental income & vacancy rates

At 30 June 2017, Suncorp, CIP (Holdings) Limited, and Chango Chango (a restaurant and bar) were leasing a total of 76% of the building's lettable space at a gross rate of $322/sq metre for Suncorp, and $395/sq metre for CIPL (Holdings), and $395/sq metre for Chango Chango. Chango Chango departed as a tenant in July 2017, leaving the building 59% occupied.

From mid-November 2017, CIPL (Holdings) will relocate to Level 2 of the building and occupy all of that level at a rate of $340/sq metre. This will leave part of Level 1 unoccupied, being a lettable space of 150 sq/metres, and bring the building occupancy overall to 67%. The Fund will then seek to lease this area. It is assumed that Level 1 will be fully occupied again at the end of calendar 2017. A vacancy rate of 7.3% (2016 - 7.6%) has been assumed over the building's life.

(c) Outgoings

These have been based on actual expenses incurred during the 2017 year, then adjusted for future increases as per below.

(d) Growth of income and expenses

Rental income has been assumed to increase at a rate of 3.4% pa, (2016 - 3.4%) as allowed by the Suncorp and CIPL leases) while expenses have been assumed to rise at the CPI of 2.25% pa (2016 - 2.25%).

(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 $179,400. (2016 - $162,836). The value of the surplus land has been increased slightly to take into account a recent nearby sale of comparable land.

(f) Project life

The project has been assumed to have a remaining life of 20 years. A terminal value of the building at the end of the 20 year period has been assumed as being approximately the same as the current land value.

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**
	$	**$**	**$**	**$**
Adjusted NPV under scenario	5,064,911	4,925,391	4,283,494	4,058,201
Current carrying value	5,212,935	5,212,935	5,212,935	5,212,935
Surplus / (deficit) to carrying value	**(148,024)**	**(287,544)**	**(929,441)**	**(1,154,734)**

Key to scenarios listed above;

1 - Discount rate of 8.5%, other inputs unchanged

2 - Discount rate of 9.0%, other inputs unchanged

3 - Rents reduced by 20.0%, other inputs unchanged

4 - Rents reduced by 20.0%, discount rate of 9.0%

Valuation of Eighth Gate Residences Fund No.6 ("Eighth Gate") Units

3,000,000 units in Eighth Gate were acquired over August and September 2015 for a total consideration of $3,000,000. A further 2,000,000 units were acquired for $2,000,000 by the Fund in October 2016, bringing the total investment to $5,000,000. Eighth Gate builds and operates affordable manufactured home estates and mixed use lifestyle communities. During the year ended 30 June 2017, Eighth Gate paid distributions equating to an annualised yield of 6.88%. Although this yield is below the forecast of 8.21%, the 2017 yield was adversely affected by a poor 3rd quarter, with the June 2017 quarter returning a yield of 8.77%.

Eighth Gate has advised that it is compliant with its bank borrowing covenants at 30 June 2017 and that other Eighth Gate unitholders have recently traded units at $1.00. Based on the current yield and level of risk, and these recent sales, CDIF considers that the cost of the investment of $5,000,000 represents fair value.

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

13. Auditor's Remuneration

	2017 $	2016 $
Remuneration of HLB Mann Judd, the auditor of the Fund:	-	-
Other services - tax and accounting *	-	1,500
	-	**1,500**

* - In 2017 and 2016, the audit fees were paid by CIP Licensing Limited and not on-charged to the Fund. The other services in 2016 relate to the preparation of the Fund's and CB Grand Pty Ltd's income tax return.

14. Events Subsequent to Balance Date

In July 2017, the Fund invested $2,000,000 into a fully owned subsidiary company which will undertake an aircraft leasing business. In July 2017, Chango Chango vacated its tenancy in the building owned by CB Grand Pty Ltd. A new tenant for this area of the building is being sought. During November 2017, CIPL (Holding) Limited will relocate from the ground floor to the upper level, increasing its occupancy of the building.

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.

15. Contingent Liabilities

There were no contingent liabilities existing at year end.

16. Commitments

There were no commitments at 30 June 2017.

17. Controlled Entities

Entity name	Country of incorporation	Percentage owned	
		2017	2016
CB Grand Pty Ltd	Australia	100%	100%
Development Services Pty Ltd	Australia	100%	100%
CDIF Solar Pty Ltd	Australia	100%	100%

Although the Fund has no legal ownership of the 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 (as trustee on behalf of the Fund) 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.

None of the controlled entities are consolidated with the Fund, as the Fund is classified as an Investment Entity under AASB 10.

18. 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 2017

19. Related Party Disclosures

(a) Units held by Directors of the Responsible Entity

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.

2017

Name	Balance at the beginning of the year	Purchased	Sold / redeemed	Balance at end of the year
David French	270,935	-	-	270,935
Owen Evans	280,778	-	-	280,778
Lance Livermore	-	-	-	-
Chris Heyworth	83,324	-	-	83,324
Nigel Allfrey	-	-	-	-

2016

Name	Balance at the beginning of the year	Purchased	Sold / redeemed	Balance at end of the year
David French	270,935	-	-	270,935
Owen Evans	280,778	-	-	280,778
Lance Livermore	-	-	-	-
Chris Heyworth	83,324	-	-	83,324

(b) Transactions with related entities

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

	2017 $	2016 $
Management services fee paid to CIP Licensing Limited	167,743	134,402
Amount owing to the Fund from CB Grand Pty Ltd at year end	-	5,540
Amount repaid by CB Grand Pty Ltd to the Fund during the year	5,540	-
Amount owing from Development Services Pty Ltd at year end	30,000	30,000
Loan made to the Fund by CB Grand Pty Ltd during the year	-	350,000
Loan made by the Fund to CDIF Solar Pty Ltd and amount owing at year end	99,000	-
Forgiveness of loan by CB Grand Pty Ltd during the year	-	345,836

CB Grand Pty Ltd, Development Services Pty Ltd, and CDIF Solar Pty Ltd are all fully owned subsidiaries of the Fund. During the 2017 year, the Fund loaned $99,000 to CDIF Solar Pty Ltd in order to fund the commencement of that company's solar electricity business.

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 2017 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

14 September 2017

HLB Mann Judd

Independent Auditor's Report
To the Members of Capricorn Diversified Investment Fund

Opinion

We have audited the financial report of Capricorn Diversified Investment Fund ("the Fund") which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the 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 Fund is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Fund'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 Fund 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.

Responsibilities of the Directors for the Financial Report

The directors of the responsible entity 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 Fund 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 Fund or to cease operations, or have no realistic alternative but to do so.

HLB Mann Judd

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 responsible entity'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 Fund'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 Fund 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

Adrian

A B Narayanan
Partner

Brisbane, Queensland
14 September 2017