CIPL (Holding) Limited

ABN: 97 603 442 959

ANNUAL REPORT 2019

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The INVESTMENT COLLECTIVE

CIPL (HOLDING) LIMITED ANNUAL REPORT 2019

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MANAGING DIRECTOR'S REPORT

CIPL (Holding) Limited trades as The Investment Collective (TIC) and is a provider of financial services ranging from financial advice to funds management and economic consulting. The business has around 40 staff with substantial offices in Rockhampton and Melbourne and clients, staff, and business associates in other centres.

The Group's result after tax for 2018/19 was a loss of $140,037, down from a profit of $151,792 for the prior year. The capital structure of the business includes very high depreciation and amortisation charges, mainly on account of the value of the firm’s Portfolio Administration System. These non-cash expenses (which are almost exhausted) can be added back to net profit to give a better idea of the value being created for shareholders. If depreciation and amortisation charges are added back to pre-tax profit, the business generated a surplus of $335,174 in 2018/19 and $723,958 in 2017/18.

The result was about $200,000 less than budget on account of a range of factors. Certain aspects of the business performed very well – share trading in particular - but the performance of the core financial planning and asset management business was flat (impacted by the issues discussed below). Substantial resources were directed at growth initiatives. Some, such as the greater focus on increasing the use of our licence by external advisors, were directly impacted by the regulatory environment but are now showing signs of success. Others, such as offering a book-keeping service, did not attract the required level of interest and are not being pursued further.

The Capricorn Diversified Investment Fund experienced a set-back with losses being recorded on an aircraft that was repossessed as a result of a breach of lease terms. Underlying issues included that the lessees had without authorisation, removed certain critical parts and had not seen to maintenance of the aircraft as required under the lease agreement. The full extent of these problems became apparent in February 2019, with the result that despite significant efforts, the aircraft will likely have to be sold for parts. The portfolio of solar arrays has grown from 2 to 4, with a total output of about 150 kilowatts, Suncorp House is fully tenanted and management of over 55's lifestyle community, Federation Villages, has been taken over by listed company Ingenia Communities, a development that is expected to result in a significant improvement on returns. The Fund is actively looking for additional assets.

In terms of costs, the business faced an additional unexpected bill from ASIC in the amount of $45,000. This fee did not exist previously and ASIC did not make clear the methodology it would use to levy these new fees on Australian Financial Services Licensees. It transpired that the fees were being levied in arrears rather than in the year that calculations for the fees were undertaken, meaning that CIPL (Holding) had to not only provide for the current year’s fees, but pay fees for last financial year too (a total of $90,000 in new fees paid to the regulator).

In the circumstances, we feel that the cash (EBITDA) profit of $454,916 is a reasonable outcome.

No dividend was paid during 2018/19. There were four reasons for this. First, the uncertainties described above made it much more difficult to estimate future cash flows; second, growth in some aspects of our business meant that additional regulatory capital had to be set aside (this meant holding cash of over $300,000 on our balance sheet, all through internally generated cash). Third, the new banking facilities, despite being agreed upon in December, took more than six months to be implemented (due to banking sector fallout from the Royal Commission). Lastly, the Group did not have tax credits available through which it could pay franked dividends.

With the new banking arrangements in place, the board has reviewed the current cash situation and cash flow forecasts, and resolved to pay a dividend of 10 cents per share, fully franked, on 22 October 2019. Payment of future dividends will be considered against business performance.

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

Outlook

The new financial year has started strongly, and as noted above, some of the growth initiatives that we have been working on are starting to bear fruit. New clients presenting for financial planning advice are up strongly, an occurrence that interestingly does not solely seem to be the result of internal initiatives, but also of an increased awareness flowing from the reporting of the Royal Commission. The number of Authorised Representatives is also increasing, and we are currently working on some large projects in which we were invited to participate.

Other initiatives for 2019/20 include increasing market awareness of our business through actively engaging with the media, the potential sale of the life insurance book, and commercialising certain aspects of the in-house training initiative.

Thank you for your support as a shareholder

David French, Managing Director, CIPL (Holding) Limited

24 October 2019

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of CIPL (Holding) Limited ("Company") and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the "Group".

1 : Directors

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

David M French, B.Ec, Dip CM

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

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

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

Lance Livermore, Bbus, CPA, Certified Financial Planner

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

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

Chris is a member of the Institute of Chartered Accountants in England and Wales and until his recent retirement was a Certified Financial Planner. He holds more than 30 years' experience providing personal financial planning and investment advice. Chris has a particular interest in helping with family wealth management, including estate planning.

Nigel Allfrey B Comm, B.Ec

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

Company Secretary

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

DIRECTORS' REPORT (continued)

2 : Dividends

No dividends were paid during the year ended 30 June 2019 and no dividends are payable in respect of the 2019 financial year.

3 : Principal Activity

The principal activities of the Group during the year were providing financial planning and related services as an Australian Financial Services Authorised Representative. The Group also provided consulting services to a range of entities. One of the Group's subsidiaries, CIP Licensing Limited, is the Responsible Entity for the Capricorn Diversified Investment Fund and the Merchant Opportunities Fund.

4 : Operating and Financial Review

For the year to 30 June 2019, the Group recorded a net loss after tax of $140,037 (2018 - profit of $151,792)

5 : Holding Company Status

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

6 : Significant Changes in the State of Affairs

There were no such changes during the year.

7 : Significant Events After Balance Date

On 1 July 2019, the Group acquired a small financial planning business for total potential consideration of $111,555. The first payment to the vendor of $55,777.50 was made in July 2019, The amount of the second installment will depend on factors such as the level of client retention, but will not exceed $55,777.50.

Other than the above, no matters or circumstances have arisen since 30 June 2019, which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

8 : Likely Developments

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

9 : Indemnification of Directors and Officers

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

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

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

DIRECTORS' REPORT (continued)

10 : Environmental Regulation

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

11 : Share Options

The Group has no outstanding share options.

12 : Proceedings on behalf of the Company

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

13 : Auditor Independence

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

14 : Attendance at Directors Meetings

Attendance of directors at meetings was as follows:

	Number of meetings held whilst a director	**Number of meetings attended**
David French	4	4
Owen Evans	4	3
Lance Livermore	4	4
Christopher Heyworth	4	4
Nigel Allfrey	4	4

15 : Non-Audit Services

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

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

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

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

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

	2019	**2018**
	$	**$**
Tax and accounting compliance services	13,210	20,556

Signed in accordance with a resolution of the Directors

David French

Director, CIPL (Holding) Limited

24 October 2019

HLB MANN JUDD

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of CIPL (Holding) Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

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

A B Narayanan
Partner

Brisbane, Queensland
24 October 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30 June 2019

	Note	2019 $	2018 $
Revenue			
Financial planning		3,530,260	3,691,868
Insurance commissions		289,035	338,603
Consulting		111,138	105,346
Share broking commissions		628,042	699,304
Management and administrative services		207,543	194,834
Authorised representative fees		440,183	311,863
Mortgage broking		5,926	24,370
Other income		145,746	118,979
Interest income		11,290	9,546
Total revenue		**5,369,162**	**5,494,714**
Expenses			
Employee benefits expenses		3,403,544	3,136,564
Administration expenses		862,010	751,391
Bad and doubtful debts		14,456	21,493
Insurance		122,166	105,310
Commission, consulting, and subcontractor expenses		216,649	402,278
Occupancy costs		295,422	220,425
Depreciation		106,577	90,335
Amortisation		428,195	415,319
Finance costs		119,742	133,295
Total expenses		**5,568,759**	**5,276,409**
Profit / (Loss) before tax		**(199,598)**	**218,304**
Income tax (expense) / credit	3	59,561	(66,513)
Profit / (Loss) after tax for the year		**(140,037)**	**151,792**
Other comprehensive income			
Other comprehensive income for the year (net of tax)		-	-
Total comprehensive income for the year		**(140,037)**	**151,792**

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position
as at 30 June 2019

	Note	2019 $	2018 $
Current Assets			
Cash and cash equivalents	13	597,902	524,148
Income tax refundable	3	34,523	31,834
Trade and other receivables	4	456,052	487,335
Prepayments & deposits		70,024	67,357
Total Current Assets		**1,158,501**	**1,110,673**
Non Current Assets			
Security deposits		32,811	32,811
Plant and equipment	5	624,231	679,048
Intangible assets	6	1,700,066	2,127,672
Deferred tax assets	3	45,830	-
Total Non Current Assets		**2,402,939**	**2,839,532**
Total Assets		**3,561,441**	**3,950,205**
Current Liabilities			
Trade and other payables	7	421,958	386,814
Employee entitlements	10	327,391	301,995
Borrowings	9	269,438	359,144
Total Current Liabilities		**1,018,786**	**1,047,952**
Non Current Liabilities			
Borrowings	11	1,343,741	1,562,082
Employee entitlements	10	46,017	33,508
Deferred tax liabilities	3	-	13,731
Total Non Current liabilities		**1,389,758**	**1,609,320**
Total Liabilities		**2,408,544**	**2,657,273**
Net Assets		**1,152,897**	**1,292,933**
Equity			
Contributed equity	12	1,244,916	1,244,916
Retained profits / (accumulated losses)		(92,019)	48,017
Total Equity		**1,152,897**	**1,292,933**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity
for the Year Ended 30 June 2019

	Contributed Equity	Retained Profits	Total Equity	
	$	$	$	
Balance at 1 July 2017	**1,244,916**	**67,791**	**1,312,707**	-
Profit for the year	-	151,792	151,792	
Transactions with equity holders in their capacity as equity holders				
Dividends paid	-	(171,565)	(171,565)	
Balance at 30 June 2018	**1,244,916**	**48,018**	**1,292,933**	
Profit for the year	-	(140,037)	(140,037)	
Transactions with equity holders in their capacity as equity holders				
Dividends paid	-	-	-	
Balance at 30 June 2019	**1,244,916**	**(92,019)**	**1,152,897**	

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows
for the Year Ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		5,363,076	5,489,710
Interest received		11,290	9,546
Payments to suppliers and employees		(4,849,766)	(4,637,262)
Interest paid		(119,742)	(133,295)
Income tax paid		(2,689)	(44,085)
Net cash inflows from operating activities	13	**402,169**	**684,614**
Cash flows from investing activities			
Payments for plant and equipment		(52,349)	(357,813)
Payment for intangibles		-	(77,576)
Net cash outflows from investing activities		**(52,349)**	**(435,389)**
Cash flows from financing activities			
Proceeds from borrowings		-	269,544
Repayment of borrowings		(308,046)	(244,811)
Dividends paid		-	(171,565)
Net refund of security deposits		-	8,000
Loans to other entities		-	(707)
Loans repaid by other entities		31,980	2,678
Net cash outflows from financing activities		**(276,067)**	**(136,861)**
Net increase / (decrease) in cash and cash equivalents		73,754	112,365
Cash and cash equivalents at the beginning of the year		524,148	411,784
Cash and cash equivalents at the end of the financial year	13	**597,902**	**524,148**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 30 June 2019

1. Corporate Information

The parent entity, CIPL (Holding) Limited (the Company) is a company limited by shares incorporated and domiciled in Australia. The Company's shares are not listed on any securities exchange.

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

The Company's subsidiary, CIP Licensing Limited, acts as Responsible Entity of Capricorn Diversified Investment Fund and the Merchant Opportunities Fund.

These financial statements were authorised for issue by the directors of the Company on 24 October 2019.

2. Statement of Significant Accounting Policies

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

The financial statements relate to CIPL (Holding) Limited and its controlled entities ("Group").

Basis of Preparation

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

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

The financial statements have been prepared on an accruals basis and are based on historical costs, apart from financial assets which have been measured at fair value. The amounts presented in the financial statements have been rounded to the nearest dollar.

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

Compliance with IFRS's

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

Principles of Consolidation - subsidiaries

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

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

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

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

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or the sale of the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the Financial Statements
for the Year Ended 30 June 2019

2. Statement of Significant Accounting Policies (continued)

Financial instruments (continued)

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at amortised cost or fair value through profit and loss

A financial liability is measured at fair value through the profit and loss if the financial liability is (a) a contingent consideration of an acquirer in a business combination to which AASB 3 applies (b) held for trading, or (c) initially designated at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest expense to profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial assets

Financial assets are subsequently measured at (a) amortised cost (b) fair value through other comprehensive income or (c) fair value through profit or loss. Measurement is on the basis of two primary criteria - the contractual cash flow characteristics of the financial asset and the business model for managing the financial assets.

A financial asset that meets the following conditions are subsequently measured at amortised cost (a) the financial asset is managed solely to collect contractual cashflows; and (b) the contractual terms within the financial asset give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial measurement of financial instruments at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset; (a) the right to receive cashflows from the asset has expired or been transferred (b) all risks and rewards of ownership of the asset have been substantially transferred and (c) the Company no longer controls the asset (it has no practical ability to make unilateral decisions to sell the asset to a third party.)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the simplified approach to impairment, as applicable under AASB 9 Financial Instruments.

Notes to the Financial Statements
for the Year Ended 30 June 2019

2. Statement of Significant Accounting Policies (continued)

Financial instruments (continued)

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to trade receivables or contract assets that result from transactions that are within the scope of AASB 15 Revenue from Contracts with Customers, and which do not contain a significant financing component.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance

Cash and cash equivalents

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

Receivables

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

Other receivables are normally due within 30 days of recognition.

Payables

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

Issued capital

Ordinary shares are classified as equity.

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

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

Revenue recognition

Effective 1 July 2018, the Company adopted AASB 15 "Revenue from Contracts with Customers" and related interpretations. It applies to all revenues arising from contracts with customers, unless those contracts are within the scope of other standards.

The Company has applied AASB 15 using the cumulative effect method; that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: *Revenue* and AASB 111: *Construction Contracts*. No significant changes or quantitative impact has resulted from these changes.

The new standard establishes a five step model for ascertaining whether, how much, and when revenue is recognised. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring services to a customer

The Company assessed its revenue contracts on adoption of the standard, which has been applied from 1 July 2018 using the modified approach. No material impact has been recognised in the financial statements as a result of adopting the standard.

The Company has concluded that there is no significant financing component for revenue generated from contracts with customers (as all invoices are 30 day terms)

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. The treatment of different classes of revenue is described below.

Notes to the Financial Statements
for the Year Ended 30 June 2019

2. Statement of Significant Accounting Policies (continued)

Revenue recognition (continued)

Financial planning fees

Services provided comprise review meetings (the number depending on the level of service selected), portfolio management, investment strategy updates, seminars, newsletters, administration of personal financial matters, and on-line portfolio access.

Clients are invoiced monthly based on the size of their portfolio and the level of service they have selected to receive, and these invoices are recognised as revenues each month. All services are provided on a continual basis over the year, apart from the review meetings. These meetings take place at different times for different clients over the year and last around an hour. It is considered that the relative value of these meetings is not sufficiently large to treat them as a separate performance obligation.

In aggregate, given the services are provided in a more or less continual basis, it the Group considers that these revenues can be recognised on a monthly basis.

Share broking commissions

As part of its services (ie managing their portfolios) to clients, the Group buys and sells shares on the ASX on their behalf via a facility with OpenMarkets. The Group received a commission on these trades. Commission revenues are recognised when trades are complete and an entitlement to the commission has arisen.

Included in share broking commissions are fees derived from placement or stamping fees. These fees are recognised when the placement is complete and an entitlement to the commission has arisen.

Authorised representative fees

The Company has contracts with various entities permitting them to act as authorised representatives under the Company's AFSL. The fees comprise a flat annual fee payable monthly, additional service fees (where applicable) and a client compliance levy with fees being charged monthly. Fees are invoiced monthly and recognised as revenue in that month, as essentially the same services are provided each month.

Insurance commissions

Insurance commissions include both upfront and trailing commissions. Upfront insurance commissions arise when a client first purchases a policy and are recognised as revenues at this point. Trailing commissions are received while a client maintains a policy, and cease when the policy is terminated. Such commissions are recognised as received.

Management and administrative services

The Company provides management services to the Capricorn Diversified Investment Fund ("CDIF"). The management fees are calculated on the net assets of CDIF at a rate set out in CDIF's PDS. The services provided include managing the investments in the Fund, finding new investments, exiting investments, and administrative services such as preparing financial statements, tax returns, and distribution statements. There is no performance fee arrangement..

The Company satisfies its performance obligations as it manages the Fund during the year, and invoices and recognises revenue on a monthly basis.

As the management fee is inclusive of all the services required during a single year, and is fixed regardless of how much time and effort are expended in any one year, revenue is recognised on a straight-line basis as the services are provided.

Consulting and bookkeeping fees

The Company provides consulting and bookkeeping services to clients under various contracts. Such revenues are recognised when the agreed work has been completed.

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).

Notes to the Financial Statements
for the Year Ended 30 June 2019

Taxes

Income tax

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Goods and services tax (GST)

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

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

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

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

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

Operating segments

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

Goodwill

Goodwill is carried at cost less accumulated impairment losses.

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

Software and website development costs

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

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

Notes to the Financial Statements for the Year Ended 30 June 2019

Significant accounting judgements, estimates, and assumptions

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

(i) Significant key estimates

Impairment of Goodwill

During the 2015 financial year, the Group acquired the business of Capricorn Investment Partners Limited, a financial planning firm. As a consequence, the Group shows the related goodwill on its statement of financial position. The Group does not consider that any of this goodwill is impaired, based on the net present value of the future expected cashflows to be derived from the business. Further details regarding these assumptions are provided in Note 6.

PAS software

As part of the acquisition of the business of Capricorn Investment Partners Limited in early 2015, the Group acquired the PAS portfolio administration software which had been developed by that company. The PAS software has been valued at the Group's estimate, which is based on a net present value of the additional costs that would be incurred if the Group was required to use an external commercial package instead of PAS. For accounting purposes the PAS software has been assessed as having a useful life of 5 years, however, it will continue to provide services well into the future.

The Group considers that the carrying value of the PAS software is reasonable. Further details are provided in Note 6.

(ii) Significant key judgements

Employee Benefits

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

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

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

(i) Short term obligations

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

(ii) Long term obligations

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

Impairment of non-financial assets

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

Notes to the Financial Statements
for the Year Ended 30 June 2019

2. Statement of Significant Accounting Policies (continued)

Plant and equipment

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

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

Depreciation

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

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

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

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

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

Provisions

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

New Accounting Standards for Application in Future Periods

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

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

Relevant Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted for the year ended 30 June 2019, are as follows:

Standard/Interpretation	Application date of Standard - accounting periods commencing on or after	Application date for the Company
AASB 16 Leases requires that entities recognise operating leases for business premises on their statements of financial position as liabilities with a corresponding "right to occupy" asset. Payments made on these leases will be effectively treated as a combination of capital repayments and interest and the "asset" will be amortised	1 January 2019	1 July 2019

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

Notes to the Financial Statements
for the Year Ended 30 June 2019

New and Amended Accounting Policies Adopted by the Group for AASB 9 and AASB 15

Initial Application of AASB 9 - Financial Instruments

The Company has adopted AASB 9 with a date of initial application of 1 July 2018. As a result, the Company has changed its financial instruments accounting policies as detailed in this note.

No adjustments have been made to the prior period.

AASB 9 requires retrospective application with some exceptions (i.e. hedge accounting in terms of the Standard).

There were no financial assets/liabilities which the Company had previously designated as at fair value through profit or loss under AASB 139: *Financial Instruments: Recognition and Measurement* that were subject to reclassification/elected reclassification upon the application of AASB 9. There were no financial assets/liabilities which the Company has elected to designate as at fair value through profit or loss at the date of initial application of AASB 9.

The date of initial application was 1 July 2018. The Group has applied AASB 9 to instruments that have not been derecognised as at 1 July 2018 and has not applied AASB 9 to instruments that have already been derecognised as at 1 July 2018. Comparative amounts in relation to instruments that have not been derecognised as at 1 July 2018 have been restated where appropriate.

Classification and measurement of financial assets

Financial assets in terms of AASB 9 need to be measured subsequently at either amortised cost or fair value on the basis of the Company's business model and the cash flow characteristics of the financial assets

The directors of the Company determined the existing financial assets as at 1 July 2018 based on the facts and circumstances that were present and determined that the initial application of AASB 9 resulted in financial assets classified as held-to-maturity and loans and receivables that were measured at amortised cost continue to be measured at amortised cost under AASB 9 as they are held to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There was no measurement impact to the financial statements of financial assets.

Classification and measurement of financial liabilities

AASB 9 determines that the classification and measurement of financial liabilities relates to changes in the fair value designated as fair value through profit or loss attributable to changes in the credit risk.

AASB 9 further states that the movement in the fair value of financial liabilities that is attributable to changes in the credit risk of that liability needs to be shown in other comprehensive income unless the effect of the recognition constitutes accounting mismatch in profit or loss. Changes in fair value in relation to the financial liability's credit risk are transferred to retained earnings when the financial liability is derecognised and not reclassified through profit or loss. AASB 139 requires the fair value amount of the change of the financial liability designated as at fair value through profit or loss be presented in profit or loss.

There was no measurement impact to the financial statements of financial liabilities.

Initial application of AASB 15 : *Revenue from Contracts with Customers*

The Company has adopted AASB 15: *Revenue from Contracts with Customers* with a date of initial application of 1 July 2018. As a result, the Company has changed its accounting policy for revenue recognition as detailed in this note.

The Company has applied AASB 15 using the cumulative effect method; that is, by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: *Revenue* and AASB 111: *Construction Contracts* . No significant changes or quantitative impact has resulted from these changes.

Notes to the Financial Statements
for the Year Ended 30 June 2019

3. Income Tax

	2019	2018
	$	$
(a) Income tax expense / (credit) from continuing operations		
Current tax	5,548	1,714
Deferred tax	(65,109)	64,799
Tax expense / (credit) reported in statement of comprehensive income from continuing operations	**(59,561)**	**66,513**
(b) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
- Provision for long service leave	54,700	46,441
- Annual leave	47,987	45,822
- Borrowing costs	2,729	5,315
- Accrued expenses	33,972	14,568
- Capital raising and other costs	3,351	3,876
	142,738	116,023
Set-off to deferred tax liabilities	(96,908)	(116,023)
Net deferred tax assets	45,830	-
(c) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
- Prepayments	18,756	18,523
- Accrued income	6,133	-
- Difference between tax and accounting value depreciable assets	72,019	111,230
	96,908	129,753
Set-off from deferred tax assets	(96,908)	(116,023)
Net deferred tax liabilities	-	13,731
(d) Movements in net deferred tax assets/liabilities		
Opening balance	(13,730)	51,069
Charged / (credited) to statement of comprehensive income	65,109	(64,799)
Closing balance	51,379	(13,730)

Notes to the Financial Statements
for the Year Ended 30 June 2019

	2019	2018
3. Income Tax (continued)	**$**	**$**

(e) Explanation of the relationship between income tax expense (credit) and accounting profit / (loss) :

A numerical reconciliation between income tax expense (credit) and the product of accounting profit / (loss) before income tax multiplied by the statutory income tax rate is as follows:

	2019	2018
Accounting profit / (loss) before income tax	(199,598)	218,304
Tax at the statutory income tax rate of 27.5% (2018 - 27.5%)	(54,889)	60,034
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
- Non deductible items	3,131	6,479
- Other	(7,803)	-
Income tax expense / (credit) from continuing operations	(59,561)	66,513

4. Current Trade and Other Receivables

	2019	2018
Trade receivables	345,458	335,818
Less provision for impairment	(12,180)	-
Net trade receivables	333,277	335,818
Accrued income	119,945	116,706
Other	2,830	34,811
	456,052	**487,335**

Refer Note 14 for information on risk exposure.

Notes to the Financial Statements
for the Year Ended 30 June 2019

5. Plant and Equipment

Plant and equipment comprises office equipment and leasehold improvements made to the Group's offices in Melbourne and Rockhampton.

	2019 $	2018 $
Office equipment at cost	483,203	458,776
less accumulated depreciation	(313,825)	(265,296)
	169,379	193,480
Leasehold improvements at cost	593,214	565,876
less accumulated depreciation	(138,361)	(80,308)
	454,853	485,568
Plant and Equipment	**624,231**	**679,048**

Movements in carrying amounts

	2019 $	2018 $
Office equipment at written down value beginning of year	193,480	138,590
Additions	24,428	96,669
Depreciation	(48,529)	(41,779)
Balance at end of year	**169,379**	**193,480**
Leasehold improvements at written down value beginning of year	485,568	277,895
Additions	27,338	256,229
Depreciation	(58,053)	(48,556)
Balance at end of year	**454,853**	**485,568**

The increase in leasehold improvements is mainly due to the refurbishment and relocation of the Rockhampton office.

Notes to the Financial Statements
for the Year Ended 30 June 2019

	2019 $	2018 $
6. Intangible Assets		
PAS 3 software	255,268	638,164
Other software	30,446	49,295
Websites and branding	36,632	62,492
Goodwill	1,377,721	1,377,721
	1,700,066	**2,127,672**

	PAS 3 software 2019	Other software 2019	Website and branding 2019	Goodwill 2019	Total 2019
Movement in carrying amounts - 2019					
Balance beginning of year	638,164	49,295	62,492	1,377,721	2,127,672
Acquired through purchase	-	590	-	-	590
Amortisation of intangibles	(382,896)	(19,439)	(25,860)	-	(428,195)
Balance end of year	**255,268**	**30,446**	**36,632**	**1,377,721**	**1,700,067**

Movement in carrying amounts - 2018

	PAS 3 software 2018	Other software 2018	Website and branding 2018	Goodwill 2018	Total 2018
Balance beginning of year	1,021,060	61,721	-	1,377,721	2,460,502
Capitalisation of expenses	-	-	77,576	-	77,576
Acquired through purchase	-	6,705	-	-	6,705
Amortisation of intangibles	(382,896)	(19,131)	(15,084)	-	(417,111)
Balance end of year	**638,164**	**49,295**	**62,492**	**1,377,721**	**2,127,672**

Goodwill at 30 June 2019 represents goodwill from the Capricorn Investment Partners Limited ("CIPL") business purchased by the Group on 27 February 2015. The goodwill has been tested for impairment by reviewing the net present value of future cash flow projections for the business. Based on a 16% pre tax discount rate and growth rate assumptions of approximately 2-3% for income and expenses, management considers that there is no need to impair the value and cannot anticipate any likely scenario where impairment would be necessary.

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

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

	2019 $	2018 $
7. Trade and Other payables		
Trade creditors	106,031	101,112
Credit card	9,306	16,239
Accrued expenses	106,642	40,738
Superannuation payable	28,544	24,441
GST payable	93,151	90,699
PAYG payable	56,244	109,626
Other	22,041	3,959
Total trade and other payables	**421,958**	**386,814**

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

Notes to the Financial Statements for the Year Ended 30 June 2019

	2019 $	2018 $
8. Borrowings - current		
Bank borrowings (2019 - National Australia Bank, 2018 - Bank of Melbourne)	200,004	285,000
Bank of Melbourne - equipment finance lease	-	7,230
Bank of Melbourne - fit-out lease	18,074	17,070
CB Grand Pty Ltd - fit-out lease	46,659	42,870
Software lease	4,701	6,975
Total current borrowings	**269,438**	**359,144**

The bank borrowings liability represents 12 monthly principal repayments of $16,667 each over the next 12 months.

	2019 $	2018 $
9. Employee entitlements - current		
Provision for annual leave	174,498	166,627
Provision for long service leave	152,892	135,368
Total entitlements	**327,391**	**301,995**
Movements in employee entitlements - current		
Annual leave		
Opening balance beginning of year	166,627	166,423
Leave accrued	246,538	218,728
Leave taken / paid out	(238,667)	(218,524)
Closing balance end of year	**174,498**	**166,627**
Long service leave		
Opening balance beginning of year	135,368	132,895
Transfer from non-current	-	16,760
Leave accrued	17,524	13,162
Leave taken / paid out	-	(27,449)
Closing balance end of year	**152,892**	**135,368**
Employee entitlements - non-current		
Provision for long service leave	46,017	33,508
	46,017	**33,508**
Movements in employee entitlements - non-current		
Opening balance beginning of year	33,508	42,032
Leave accrued	20,838	8,236
Transfer to current	-	(16,760)
Leave taken / paid out	(8,329)	-
Closing balance end of year	**46,017**	**33,508**
10. Borrowings - non-current		
Bank borrowings	1,167,996	1,311,000
Bank of Melbourne - fit-out lease	35,922	53,989
CB Grand Pty Ltd - fit-out lease	139,824	192,392
Software lease	-	4,701
Total non-current borrowings	**1,343,741**	**1,562,082**

The Group is required to meet bank-imposed financial covenants in relation to its borrowings. The covenants require that (a) the Group's recurring revenues for each 6 month period ended 30 June and 31 December must be at least 85% of the prior year's corresponding period (b) the annual recurring revenues must be at least 85% of the prior financial year's recurring revenues (c) the annual recurring revenue for any financial year must not be below $3,746,611. The Group is in compliance with all these covenants. CIPL (Holding) Limited has guaranteed the borrowings and provided a charge over all its assets and undertakings.

Notes to the Financial Statements
for the Year Ended 30 June 2019

11. Contributed Equity

Share capital

Ordinary shares fully paid on issue at 30 June 2019 - 1,143,768 (2018 - 1,143,768 ordinary shares fully paid)

	Number of shares	$
Balance at 1 July 2017	**1,143,768**	**1,244,916**
Balance at 30 June 2018	**1,143,768**	**1,244,916**
Balance at 30 June 2019	**1,143,768**	**1,244,916**

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

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

12. Cash and Cash Equivalents

(a) Reconciliation of cash and cash equivalents

	2019 $	2018 $
Cash and cash equivalents comprise:		
Cash at bank	447,902	261,784
Cash held in term deposit	150,000	150,000
	597,902	**411,784**

Of this cash, a minimum of $150,000 must be held by CIP Licensing Limited, a subsidiary of the Company, to meet Australian Financial Services Licence requirements. As at 30 June 2019, this amount was held in a term deposit by CIP Licensing Limited.

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

	2019 $	2018 $
Profit / (Loss) for the year after tax	(140,037)	151,792
Depreciation and amortisation	534,772	505,654
Decrease / (increase) in prepayments	(2,667)	(1,806)
(Increase) / decrease in receivables	(698)	117,778
(Increase) / decrease in income in advance	-	(119,526)
Increase / (decrease) in payables and accruals	35,144	14,142
Increase / (decrease) in provisions	37,905	(5,847)
Decrease / (increase) in deferred tax benefit	-	64,800
Increase / (decrease) in current tax liabilities	#REF!	(42,372)
Net cash inflows / (outflows) from operating activities	**#REF!**	**684,614**

Notes to the Financial Statements
for the Year Ended 30 June 2019

13. Financial Instruments Disclosure

(a) Capital risk management

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

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

	2019	2018
	$	$
Loans (current)	269,438	359,144
Loans (non-current)	1,343,741	1,562,082
	1,613,179	1,921,226
Equity	1,152,897	1,292,933

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

Significant accounting policies

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

Categories of financial instruments	2019	2018
	$	$
Financial assets		
Cash	597,902	524,148
Trade receivables (net of impairment)	333,277	335,818
Carrying amount of financial assets	931,180	859,965
Financial liabilities		
Other financial liabilities		
Trade creditors and payables	115,337	117,350
Borrowings - current	269,438	359,144
Borrowings - non-current	1,343,741	1,562,082
Carrying amount of financial liabilities	1,728,516	2,038,576

Notes to the Financial Statements for the Year Ended 30 June 2019

13. Financial Instruments Disclosure (continued)	2019 $	2018 $
Net income and expense from financial assets and liabilities		
Interest income from financial assets	11,290	9,546
Finance costs from financial liabilities	(119,742)	(133,295)
Net gain / (loss) from net financial liabilities	(108,452)	(123,748)

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

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

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

(b) Credit risk

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

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

The Group has adopted a policy of only dealing with creditworthy counter parties, entering into direct debit arrangements with clients, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

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

	Not past due or impaired 2019
Receivables for goods and services	305,643
	305,643

Ageing of financial assets that are past due but not impaired 30 June 2019

	31 - 90 days	Greater than 90 days
Receivables for goods and services	12,795	14,839

	Not past due or impaired 2018
Receivables for goods and services	295,696
	295,696

Ageing of financial assets that are past due but not impaired 30 June 2018

	31 - 90 days	Greater than 90 days
Receivables for goods and services	25,788	14,334

Notes to the Financial Statements
for the Year Ended 30 June 2019

13. Financial Instruments Disclosure (continued)

(c) Interest rate risk

The Group's total bank borrowings at 30 June 2019 were $1,368,000 (2018 : $1,596,000). The borrowings are in the form of a business markets loan facility. In addition to this, there were separate financing arrangements for specific asset purchases which totalled $245,179 (2018 - $325,226). These latter arrangements have fixed interest rates for their entire terms.

As at 30 June 2019, the bank borrowing facility was completely at variable rate. The after tax impact of a change in the rate of interest on the interest expense for the variable component is shown in the table below.

	Interest rate increase of		Interest rate Decrease of
	1%	2%	1%
Increase / (decrease) of annual interest expense	9,918	19,836	(9,918)

(d) Liquidity risk

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

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

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

The borrowings consist of a business markets loan facility (2018- bank bill facility).

	2019 $	2018 $
Bank bill facility - variable	-	1,596,000
Business markets loan	2,000,000	-
Amount drawn down at year end	1,368,000	1,596,000
Total balance of facilities available at year end	632,000	-

In respect of the business market loan, the limit on this facility decreases by $16,667 per month until expiry on 31 December 2023, when the entire balance must be repaid.

In addition to the business market loan, the Group also has a $150,000 overdraft facility. At 30 June 2019, this had been drawn down to $9,804, leaving $140,196 available for use.

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

30 June 2019	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 $
Financial liabilities						
Trade and other payables	-	115,337	-	-	-	-
Equipment and software leases	6.04%	84,651	79,785	110,290	-	-
Borrowings	4.61%	258,779	249,569	1,051,610	-	-
Total financial liabilities		**458,767**	**329,354**	**1,161,900**	**-**	**-**

30 June 2018	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 $
Financial liabilities						
Trade and other payables	-	117,350	-	-	-	-
Equipment and software leases	6.07%	94,856	84,949	170,892	-	-
Borrowings	5.31%	366,977	1,356,007	-	-	-
Total financial liabilities		**579,184**	**1,440,956**	**170,892**	**-**	**-**

The bank borrowing facility expires on 29 December 2023. The initial drawdown limit is $2,000,000 which reduces by $16,667 per month. At maturity, it is likely the loan will be refinanced, however, for the purposes of the above table, it is assumed to be repaid on that date.

Notes to the Financial Statements for the Year Ended 30 June 2019

13. Financial Instruments Disclosure (continued)

(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 Group has adopted the amendment to AASB 7 Financial Instruments.

14. Auditor's Remuneration

	2019 $	2018 $
Remuneration of HLB Mann Judd, the auditor of the Group		
Audit and review of the financial report *	44,800	42,250
Other services - taxation *	13,210	20,556
* Includes audit and taxation advice fees for Capricorn Diversified Investment Fund	58,010	62,806

15. Events Subsequent to Balance Date

On 1 July 2019, the Group acquired a small financial planning business for total potential consideration of $111,555. The first payment to the vendor of $55,777.50 was made in July 2019, The amount of the second installment will depend on factors such as the level of client retention, but will not exceed $55,777.50.

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

16. Contingent Liabilities

The Group has in place a bank guarantee of $500,000 to fulfil its obligations to the Australian Securities Exchange as a non-broker participant. The Group also has a $50,000 bank guarantee to cover a rental lease commitment. Both bank guarantees remain undrawn.

17. Commitments

The Group had the following lease commitments at 30 June 2019.

	Total due in less than 12 months $	Total due in 12 months to 2 years $	Total due in 2 to 5 years $	Total due after 5 years $
Operating leases on premises	243,613	250,696	259,578	-

The Group had the following lease commitments at 30 June 2018.

	Total due in less than 12 months $	Total due in 12 months to 2 years $	Total due in 2 to 5 years $	Total due after 5 years $
Operating leases on premises	223,277	229,427	463,583	-

18. Franking Credits and Dividends

(a) Franking Credits

	2019 $	2018 $
Franking credits available for subsequent financial years based on a tax rate of 27.5%	-	-

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

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

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

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

Notes to the Financial Statements
for the Year Ended 30 June 2019

18. Franking Credits and Dividends (continued)

(b) Dividends declared and paid during the year

No dividends were paid during the year

(c) Dividends not recognised at year end:

No dividends were unrecognised at year end

19. Controlled Entities

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

Name	% owned		Country of incorporation
	2019	2018	
Capricorn Investment Partners Pty Ltd	100	100	Australia
CIP Licensing Limited	100	100	Australia
CIPL (Nominees) Pty Ltd	100	100	Australia

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

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

(a) Directors

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

David French

Owen Evans

Lance Livermore

Chris Heyworth

Nigel Allfrey

There were no other key management personnel.

(b) Remuneration of Key Management Personnel

	2019	2018
	$	$
Short term employee benefits	307,996	431,403
Other short term benefits - consulting fees	62,666	65,278
Post employment benefits - superannuation	41,085	50,189
Post employment benefits - long service leave	5,216	6,308
	416,963	**553,178**

Notes to the Financial Statements
for the Year Ended 30 June 2019

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

(c) Share Holdings

The number of shares in the Company held during the year by each member of the Key Management Personnel, including their personally related entities, is set out below. No shares were issued as remuneration to KMP's during the year.

30 June 2019

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

(d) Transactions with related entities

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

The Group derived management fees of $207,542 (2018 - $194,834) from CDIF. At year end, CDIF owed the Group approximately $34,500 in accrued management fees (2018 - $17,170).

The Group paid rent to CB Grand Pty Ltd of $167,432 during the year (2018 : $122,890) and owed CB Grand Pty Ltd $6,401 at 30 June 2019 (2018 : $2,211)

Notes to the Financial Statements
for the Year Ended 30 June 2019

21. Parent entity financial information

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

Statement of financial position	**2019**	**2018**
	$	**$**
Current assets	678,777	724,646
Non-current assets	3,045,306	3,413,811
Total assets	**3,724,083**	**4,138,457**
Current liabilities	2,144,812	1,899,164
Non-current liabilities	1,490,487	1,721,253
Total liabilities	**3,635,299**	**3,620,417**
Net assets	**88,784**	**518,040**
Shareholders equity		
Issued capital	1,244,915	1,244,915
Retained earnings	(1,156,132)	(726,875)
Total shareholders equity	**88,784**	**518,040**

Statement of comprehensive income	**2019**	**2018**
Revenues	4,822,699	4,982,021
Expenses	5,390,806	5,045,706
Profit before tax	**(568,107)**	**(63,685)**
Income tax expense	(138,851)	22,046
Net profit after tax	**(429,256)**	**(85,731)**

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

DIRECTORS' DECLARATION

In the opinion of the Directors:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

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

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

Signed in accordance with a resolution of the Directors.

David French
Director, CIPL (Holding) Limited
24 October 2019

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

Opinion

We have audited the financial report of CIPL (Holding) Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company.

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

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

A B Narayanan
Partner

Brisbane, Queensland
24 October 2019