ilh group LIMITED

Annual Report

2014

ACN 120 394 194
(ASX: ILH)
For the year ended 30 June 2014

Contents

Corporate Information

ABN 20 120 394 194

Directors

The Hon John Dawkins[1], *Non-Executive Chairman*
Anne Tregonning[1], *Non-Executive Director*
Graeme Fowler, *Managing Director and Chief Executive*
Matthew Driscoll[2], *Non-Executive Chairman*
David French[2],*Non-Executive Director*

[1] Resigned effective 1 October 2014
[2] Appointed effective 1 October 2014

Company Secretary

Reena Minhas

Registered Office

Level 22
1 Market Street
Sydney NSW 2000

Principal Place of Business
Head Office

Level 22
1 Market Street
Sydney NSW 2000
Tel: (02) 8263 6600

Share Register

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth WA 6000
Tel: (08) 9323 2000

ILH Group Limited shares are listed on the Australian Stock Exchange ("ASX").

Solicitors

Rockwell Olivier (Perth)
Level 8, Wesfarmers House
40 The Esplanade
Perth WA 6000

Rockwell Olivier (Sydney)
Level 22
1 Market Street
Sydney NSW 2000

Bankers

St George Bank Limited
Level 2, Westralia Plaza
167 St Georges Terrace
Perth WA 6000

Auditor

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Directors' Report 2014

Your Directors submit their report for the year ended 30 June 2014.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

The Hon John Dawkins[1], *AO, B.Ec* (Non-Executive Chairman)

Mr Dawkins was Chairman of Law Central from its early beginnings in March 2000 until March 2006. His other board appointments include Chairman of Sovereign Gold Company Limited, Mount Adrah Gold Limited and Vocation Limited, and Director of M&C Saatchi Direct Pty Ltd and Cbus. For over 10 years, until 2005, he served on the board of Sealcorp Holdings, now Asgard Wealth Solutions, and he is a former chairman of Elders Rural Bank and Retail Energy Market Company Ltd.

Mr Dawkins has consulted to several large Australian and overseas companies, the World Bank and the OECD. Until his retirement from politics in 1994 he served as a Minister in the Federal Government for 10 years and in the House of Representatives for 18 years.

He is a graduate in Economics from the University of Western Australia, and he has been awarded honorary doctorates from the University of South Australia and the Queensland University of Technology.

During the past four years, Mr Dawkins served as a Director of the following listed companies:

- MGM Wireless Ltd – appointed 17 August 2010; resigned 3 March 2011
- Archer Exploration Limited – appointed 30 April 2010; resigned 31 May 2012
- Sovereign Gold Company Limited – appointed 16 September 2010*
- Genetic Technologies Ltd – appointed 24 November 2004; resigned 19 November 2010
- Australian Bauxite Limited – appointed 7 December 2011; resigned 28 May 2014
- Tiaro Coal Limited – appointed 6 June 2012; resigned 2 July 2014
- Precious Metal Resources Limited – appointed 31 August 2012; resigned 18 August 2014
- Vocation Limited – appointed 6 November 2013*

**Denotes current directorship.*

Anne Tregonning[1], *B.Com, FCA, GAICD* (Non-Executive Director)

Ms Tregonning has extensive experience in finance and risk management in both public practice and commerce. Senior positions previously held include General Manager Finance and Risk, Wealth Management Division, St George Bank, Director – Group Finance, Sealcorp Holdings (now Asgard Wealth Solutions), and Senior Manager Corporate Banking, BankWest.

Ms Tregonning is a Non-Executive Director of Retail Energy Market Company Ltd and the Breast Cancer Research Centre – Western Australia. She is a past Executive Director of Asgard Capital Management Limited, a past State Chairman of the Institute of Chartered Accountants and member of its National Council, and a past Director of other public company and not-for-profit/professional organisations.

Ms Tregonning is a graduate of the University of Western Australia, a Fellow of the Institute of Chartered Accountants and a graduate of the Australian Institute of Company Directors.

Ms Tregonning has not had any directorships in other listed companies during the past four years.

[1] Resigned effective 1 October 2014

Graeme Fowler, *B.Bus, CPA, MAICD* (Managing Director and Chief Executive)

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

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

During the past four years, Mr Fowler served as a Director of the following listed company:

- Countplus Limited – appointed 19 August 2010*

**Denotes current directorship.*

Stephen Moss, *BD, STM, DM, MICD, CMC, FAICD* (Executive Director)

Dr Moss was appointed to the ILH Board as an executive director on 26 September 2013 and resigned on 15 August 2014.

Beneficial Interests in the Shares of the Company and Related Bodies Corporate

As at the date of this report, the beneficial interests of the Directors in the shares of ILH Group Limited were:

	Number of Ordinary Shares
J Dawkins	3,249,335
A Tregonning	511,716
G Fowler	5,672,460

COMPANY SECRETARY

Jean-Marie Rudd, *B.Com, CA, GAICD*

Mrs Rudd was the Company Secretary of the Group until the appointment of Ms Reena Minhas on 1 September 2014.

Mrs Rudd was appointed to the newly created position of COO ("Chief Operating Officer") of ILH Group Limited and its subsidiary companies on 7 August 2014 when Ms Minhas took over the role of CFO.

Mrs Rudd was previously the Western Australian Finance Director of national law firm, Minter Ellison, bringing industry-specific experience to her roles with ILH Group Limited. Mrs Rudd has over 20 years' experience in CFO/Company Secretarial roles including senior management roles with the Heytesbury Group and ThinkSmart Limited.

Mrs Rudd is a graduate of Curtin University, Perth, a Chartered Accountant and a graduate of the Australian Institute of Company Directors.

Reena Minhas *B.Sc, ACA*

Ms Minhas was appointed CFO of ILH Group Limited and its subsidiary companies on 7 August 2014 and Company Secretary on 1 September 2014.

Ms Minhas has over 10 years accounting experience in the corporate sector and in professional services in both Australia and the United Kingdom. She has previously worked as CFO of Energy One Limited, as well as with KPMG, PricewaterhouseCoopers and Xerox.

Directors' Report continued

PRINCIPAL ACTIVITIES

The principal activities of the entities of the consolidated Group are the provision of legal services, wealth management and advice and online legal document services in Australia.

OPERATING AND FINANCIAL REVIEW

Group Overview

A detailed review of the operations of the Group during the financial year, its financial position and business strategies and prospects for future financial years is set out below.

Operating Results for the Year

In what has continued to be challenging business conditions, the Company achieved operating revenue of $27,475,559 for the year ended 30 June 2014 (2013: $31,719,416), a 13% decrease on the previous financial year. This is primarily due to reduced workflow in the Perth legal business and a downturn in economic conditions in WA.

The loss from ordinary activities after tax (from continuing operations) for the year ended 30 June 2014 was $4,495,958. As at 30 June 2014, the Eaton Capital Partners corporate advisory business ("Eaton") was classified as a discontinued operation. The loss for the year after discontinued operations was $8,955,330.

The performance of the Group was affected by the underperformance of the legal businesses particularly in Perth, but also in Sydney and Melbourne, one-off acquisition costs and the newly acquired CIPL Corporate Advisory business not meeting the Board's expectations.

As previously advised, during the 2014 financial year the Board had targeted a significant acquisition opportunity (with annual revenues of $20m) which would have significantly expanded the reach and growth potential of the Group. This potential acquisition was ultimately unsuccessful, and proved to be a major distraction for the Board and management during the period.

Banking Arrangements Update

The Directors of ILH Group Limited ("ILH" or "the Company" or "the Group") announced to the market on 18 September 2014 that an agreement had been reached for revised bank funding arrangements with St George Bank Limited ("the Bank").

The revised facility agreement dated 17 September 2014 has a maturity date of 31 January 2016 and is subject to the following revised and additional conditions.

- Interest cover ratio targets have been reset from 1 July 2014, the first calculation period being 1 July 2014 to 31 December 2014;
- Revised loan amortisation schedule
  - $250k per quarter from December 2014 (unchanged).
  - $2m by 15 March 2015 (new). In this regard, the Board advises that management is advanced on a number of appropriate measures.
  - $300k per quarter from December 2015 (unchanged).

  The Directors advise that the Company made its scheduled loan amortisation payment of $200k in September 2014.
- Deferred consideration amounts payable to the vendors of CIPL and The Pentad Group ("Pentad") must be satisfied by way of the issue of shares only and not in cash. In this regard the Board advises that management is well advanced in negotiations with these vendors.

The Board and management are confident that as a result of initiatives implemented over the last several months and those still underway, these revised and additional conditions can be achieved by the Company.

Going Concern

At 30 June 2014, the Group had a net current asset deficiency of $10,547,329, including a net cash overdraft position of $550,588, and current interest-bearing loans and borrowings totalling $14,844,525 and net operating cash outflows of $966,253 for the year.

Due to the performance in the current year, ILH is in breach of the Group's bank funding interest cover ratio ("ICR") at 30 June 2014. In accordance with the terms of the facility, the Group's bank loans totalling $13,599,098 have been reclassified as current liabilities. However, the bank is aware of ILH's ongoing repositioning strategy and transformation process, and has provided a revised facility agreement dated 17 September 2014 with a maturity date of 31 January 2016. Full details of the new banking arrangements are provided in Note 35 of this report.

At the date of signing this report, given the revised bank funding arrangements and subject to the deferred consideration amounts payable being satisfied by way of the issue of shares only and not in cash, bank loans of $2.75m would be classified as current liabilities, and $10.65m would be classified as non-current liabilities as they are repayable outside the 12 month period.

The Directors have prepared the consolidated financial statements on a going concern basis which contemplates that the Group will continue to meet its commitments and therefore continue to realise its assets and settle its liabilities in the ordinary course of business.

In forming their view, the Directors believe that the following can be achieved; the settlement of the deferred consideration amounts payable will be settled by shares, the successful implementation of the Group's new strategy, the Group trading in a manner that generates sufficient cash flow, and/or raising sufficient funds through other initiatives to enable the repayment of $2.75m on their due dates and to meet the working capital needs of the Group over the next 12 months. Other initiatives may include capital raising or the sale of assets.

Should the above not be materially achieved, there would be significant uncertainty as to whether the Group could continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in this financial report. This report does not include any adjustments relating to the recoverability or classification of recorded assets' amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Strategic Initiatives and Key Developments

As a result of the financial performance in FY14, ILH has revised its strategic plan and the following key developments are noted:

- As announced on 3 June 2014, an operational review has generated annualised cost savings of $2.4m which will be progressively achieved in the period to January 2015. Management is on track in delivering these savings.
- A fundamental shift in strategy and business model from one of aggregation to integration. ILH will operate as one business rather than a portfolio of independent businesses, with a focus on maximising Group client relationship opportunities and with an integrated back office targeting operational efficiencies. A number of senior management appointments were announced as a key element of this change. Management is on track with implementation.
- There will be no material acquisition activity for the Group during FY15 whilst integrated Legal Services and Wealth Management platforms are developed and finalised. Future acquisitions will be fully integrated on these platforms to achieve revenue and cost synergies.
- The ASX release dated 12 June 2014 announced a number of business developments for Rockwell Olivier Legal Services including the expansion of the national legal taxation services practice and the addition of a financial services legal capability.

Directors' Report continued

- The Wealth Management business, CIPL (incorporating Pentad), has met expectations in earnings and synergy opportunities.
  - Funds under management have grown 7.6% since the acquisition of this business by ILH to approximately $480m, enhancing earnings growth potential.
  - Recurring revenues have continued to grow with $3.6m anticipated in FY15.
  - The Board remains confident about the future of this business and the contribution of the Wealth Management division to the complementary business strategy of the Company.
  - In the medium term, management anticipate further Wealth Management acquisitions in line with its complementary business strategy.
- A new Law Central joint venture arrangement with PantherCorp to enhance the reach of the two businesses by offering cross referral opportunities to the different client bases.
- As announced on 15 August 2014, an agreement has been signed for the sale of the Eaton corporate advisory business, conditional on shareholder approval. The Eaton business was acquired on 1 September 2013 and has not delivered on the Board and Eaton's expectations.
- As announced on 23 September 2014 Law Central has signed an Agreement to Supply Services to Business Centric Services Group Ltd ("BCSG") in the Australian market. The partnership with BCSG now gives Law Central the capability to operate in both retail and wholesale markets.

More detailed commentary on the results for the reporting period is contained in the ASX release dated 29 August 2014.

Shareholder Returns

The Company's return to shareholders is as follows:

	2014	2013
Basic and diluted profit per share (cents)	**(5.71)**	0.94

Performance Indicators

Management and the Board monitor the Group's overall performance, from the execution of its strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management have identified key performance indicators ("KPIs") that are used to monitor performance. Directors receive the KPIs for review prior to each monthly Board meeting allowing all Directors to actively monitor the Group's performance.

Review of Financial Condition

Liquidity and Capital Resources

The statement of cash flows illustrates that there was a net cash outflow of $966,253 from operating activities during the year (2013: outflow $18,196). This included significant expenditure on acquisition related costs.

Cash flows used for investing activities amounted to an outflow of $4,715,658 (2013: $2,765,629 outflow) of which $231,756 related to the acquisition of plant and equipment (2013: $127,501) and $4,309,964 related to the acquisition of businesses during the year (2013: $2,017,809).

Cash inflows from financing activities were supplemented by $469,425 (2013: $696,774) received to finance equipment acquisitions and annual insurance premiums, and $4,949,580 (2013: $3,721,361) was received as additional advances of bank floating bill facilities during the financial year.

Finally, there was a cash outflow of $346,561 (2013: $813,661) for the payment of dividends and proceeds from the issue of shares, net of share issue expenses, of $59,841 (2013: $19,641 outflow).

The net tangible asset backing of the Group was (5.12) cents per share (2013: 4.22 cents).

Asset and Capital Structure

	CONSOLIDATED	
	2014 $	2013 $
Net assets	**14,587,299**	19,958,425
Less: cash and cash equivalents net of overdrafts	**(550,588)**	1,130,826
Total capital employed	**14,036,711**	21,089,251

The level of gearing in the Company is above optimal levels. This has been recognised by both the Company and its bank and requires $2.75m to be repaid over the next 12 months (refer note 35).

Share Issues during the Year

The Company has issued 55,635,747 shares (2013: 9,986,630 shares) during the year:

- 245,556 shares to employees under the Deferred Employee Share Plan (net of shares forfeited under the Deferred Employee Share Plan);
- 804,420 shares in part satisfaction of 2013 Principal profit share entitlements;
- 1,255,471 shares to shareholders under the Dividend Reinvestment Plan for the 2013 final dividend (November 2013);
- 40,377,523 shares to the vendors of CIPL on 2 September 2013 for the acquisition of the business;
- 12,308,333 shares to the vendors of Pentad on 2 September 2013 for the acquisition of the business and assets; and
- 844,444 shares as part consideration for services performed by corporate advisors.

Risk Management

ILH takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established a separate Audit and Risk Management Committee. With respect to recognising and managing risk, the Committee is responsible for ensuring the Company has a sound system of risk oversight, management and internal control. This system is designed to identify, analyse, action, monitor and report risks; including governance, strategic, operational and compliance risk; and inform the Board of material changes to the Group's risk profile.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission, strategies, goals and priorities, designed to meet stakeholders' needs and manage business risk;
- Implementation of Board approved budgets and Board monitoring of progress against budget, including the establishment and monitoring of financial KPIs; and
- The establishment of committees to report on specific business risks.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Acquisition of Capricorn Investment Partners Limited

On 1 September 2013 the Company acquired 100% of the shares of CIPL and the business and assets of Pentad.

CIPL was an unlisted public company with operations in Queensland, New South Wales and Victoria. The business consists of two divisions: Corporate Advisory in Professional Services; and Wealth Management. In acquiring CIPL, the Company also acquired the business of a large Melbourne based boutique Financial Planning firm, Pentad. Pentad has been integrated with CIPL to provide scale to CIPL's Wealth Management operations.

The initial consideration of $9,247,846 was satisfied by the issue of 52,685,856 ILH shares at 9.0 cents per share and the payment of $4,506,119 cash. In addition, contingent consideration of up to $5,002,211 would be payable over a two year period in scrip and cash if certain performance conditions are satisfied.

The issue of shares to the CIPL and Pentad vendors was approved by shareholders at an Extraordinary General Meeting ("EGM") held on 2 September 2013.

In the balance sheet at 30 June 2014 liabilities include deferred consideration payable of $4,477,791 to the vendors of CIPL and Pentad. (refer notes 19 and 24)

The Board advises that negotiations are advanced to revise these deferred consideration arrangements from cash based payments to share based payments (refer note 35).

Divestment of Eaton

The Eaton business was acquired in September 2013 as part of the CIPL acquisition and has not met the Board's nor CIPL's expectations since that time.

Agreement has been reached with Symon Capital Pty Ltd (a company related to ILH former executive director Stephen Moss) to buy the business. It has been agreed that the risk to and benefit of the business will pass to the buyer effective 15 May 2014, with title passing to the buyer only upon shareholder approval being obtained.

As a related party transaction and a substantial asset, the proposed sale is subject to shareholder approval of an ordinary resolution under ASX Listing Rules 10.1 and 10.2. It will also require an Independent Expert's Report to be provided to shareholders.

The Company will seek to have the transaction approved at the Annual General Meeting ("AGM") intended to be held in November 2014.

Stephen Moss resigned as a director of ILH effective 15 August 2014.

The 30 June 2014 accounts record the transaction in the statement of comprehensive income and show the operating results of the business as a loss after tax for the year from discontinued operations of $4.5m, including an impairment charge of $4.1m. In addition, the assets and liabilities associated with Eaton have been recorded in the balance sheet as assets classified as held for sale and liabilities directly associated with assets classified as held for sale.

The assets classified as held for sale recorded in the balance sheet include the value of the business according to the agreed sale consideration. The shares have been valued based on the closing share price at balance date. Any movement between the share price at balance date and the date of selective buy-back (cancellation) will be recorded as a gain or loss on sale in the FY15 financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

As discussed previously, revised bank funding arrangements have been agreed with St George Bank. The revised facility agreement dated 17 September 2014 replaces the previous facility offer dated 16 November 2011.

Change of Company Directors

The Company advises that effective 1 October 2014, the Hon. John Dawkins will resign as Non-Executive Chairman and Director, and Ms Anne Tregonning will resign as a Non-Executive Director.

On the same date, Mr Matthew Driscoll will be appointed as Non-Executive Chairman and Director of the Company, and Mr David French will be appointed as Executive Director.

For further details please refer to the ASX release dated 30 September 2014.

Declaration of Final Dividend

The Directors have not declared a dividend with respect to the financial year ended 30 June 2014 (2013: 0.4 cents).

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Each of the Directors and Secretary of the Company has entered into a deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary and to effect and maintain insurance in respect of the Directors and Officers liability and provide certain indemnities to each of the Directors, to the extent permitted by section 199B of the *Corporations Act 2001*.

The Company has put in place Prospectus Insurance and Directors and Officers Liability Insurance. The contract prohibits the disclosure of the nature of the liability and/or the amount of the premium.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the number of meetings attended by each Director were as follows:

	Directors' Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
J Dawkins	19	19	4	4	-	-
A Tregonning	19	19	4	4	-	-
S Moss	16	16	-	-	-	-
G Fowler	19	19	4	3	-	-

Committee Membership

As at the date of this report, the Company had an Audit and Risk Management Committee and a Nomination and Remuneration Committee of the Board of Directors.

The Audit and Risk Management Committee comprises all members of the Board of Directors and is chaired by Ms Tregonning.

The Nomination and Remuneration Committee was established on 27 June 2013 and no meetings have been held. The Committee comprises the Non-Executive Directors of the Board and is chaired by the Hon. John Dawkins. All nomination and remuneration matters were dealt with by the Board of Directors during the year.

REMUNERATION REPORT (Audited)

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent company.

For the purposes of this report, the term "executive" encompasses the Chief Executive and senior executives of the Parent and the Group.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-Executive Director remuneration arrangements
5. Executive remuneration arrangements
6. Company performance and the link to remuneration
7. Executive contractual arrangements
8. Equity instruments disclosures

1. Individual Key Management Personnel Disclosures

Details of KMP of the Parent and the Group are set out below:

Directors	
J Dawkins	Non-Executive Chairman
A Tregonning	Non-Executive Director
G Fowler	Managing Director and Chief Executive
S Moss[1]	Executive Director
Executives	
JM Rudd[2]	Chief Operating Officer
R Minhas[3]	Chief Financial Officer and Company Secretary
J Ridgway[4]	Head of Legal Services
D French[5]	Head of Wealth Management

[1] Dr Moss became an Executive Director on 26 September 2013 and resigned on 15 August 2014.
[2] Mrs Rudd was CFO and Company Secretary for the period 1 July 2013 to 7 August 2014.
[3] Ms Minhas became a Group Executive from 7 August 2014.
[4] Mr Ridgway became a Group Executive from 1 July 2014.
[5] Mr French became a Group Executive from 1 July 2014.

There were no other changes to KMP after the reporting date and before the date the annual report was authorised for issue.

2. Remuneration at a Glance

ILH Group Limited's remuneration strategy is designed to attract, motivate and retain employees and Non-Executive Directors ("NEDs") by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

The remuneration policy is to position total employment cost close to the median of its defined talent market to ensure a competitive offering.

The remuneration of NEDs of the Company consists only of Directors' fees and committee fees. Director and committee fees are reviewed annually against inflation and fees paid to NEDs of comparable companies.

3. Board Oversight of Remuneration

Remuneration Assessment and Approval Process

The Nomination and Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Committee will assess the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing Director and executive team.

Remuneration Strategy

The Group's remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Group.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Group's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide a strong linkage between individual and group performance and rewards;
- Align the interests of executives with shareholders through measurement of shareholder return;
- Have a portion of executive remuneration "at risk"; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

4. Non-Executive Director Remuneration Arrangements

Remuneration Policy

The Board, through the Nomination and Remuneration Committee, seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against inflation and fees paid to NEDs of comparable companies. The Committee may also consider advice from external consultants when undertaking the annual review process.

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of NEDs shall be determined from time to time by a general meeting. The current aggregate remuneration level for Non-Executive Directors, as approved by shareholders, is $250,000 (2013: $250,000) per annum.

The Board will not seek any increase for the NEDs pool at the 2014 AGM.

Structure

The remuneration of NEDs consists of Directors' fees and committee fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

From 1 July 2013 each NED received a base fee including superannuation of $49,387 (2013: $48,135) for being both a Director of the Company and member of the Audit and Risk Management Committee. An additional fee of $49,387 (2013: $48,135) is also paid if the Director is the Chairman of the Board and $19,755 (2013: $19,254) if the Director is the Chairman of the Audit and Risk Management Committee.

From 1 May 2014 Directors fees were reduced by 15%.

The remuneration of NEDs for the financial year is detailed in table 1 on page 20 of this report.

5. Executive Remuneration Arrangements

Remuneration Levels and Mix

The Group aims to reward executives with remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for Group, subsidiary and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

In the 2014 financial year the executive remuneration framework consisted of the following component:

- Fixed remuneration

The table below illustrates the structure of ILH Group Limited's executive remuneration arrangements:

Remuneration Component	Vehicle	Purpose	Link to Performance
Fixed remuneration	• Comprises base salary, superannuation contributions and other benefits	• Set with reference to role, market and experience. • Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as parking. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.	• Remuneration level is determined annually and is based on a financial scale linked to individual performance in the previous financial year.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Board. The process consists of a review of Company, subsidiary and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. The Board has access to external advice independent of management, where appropriate.

The fixed remuneration component of executives is detailed in table 1 on page 20 of this report.

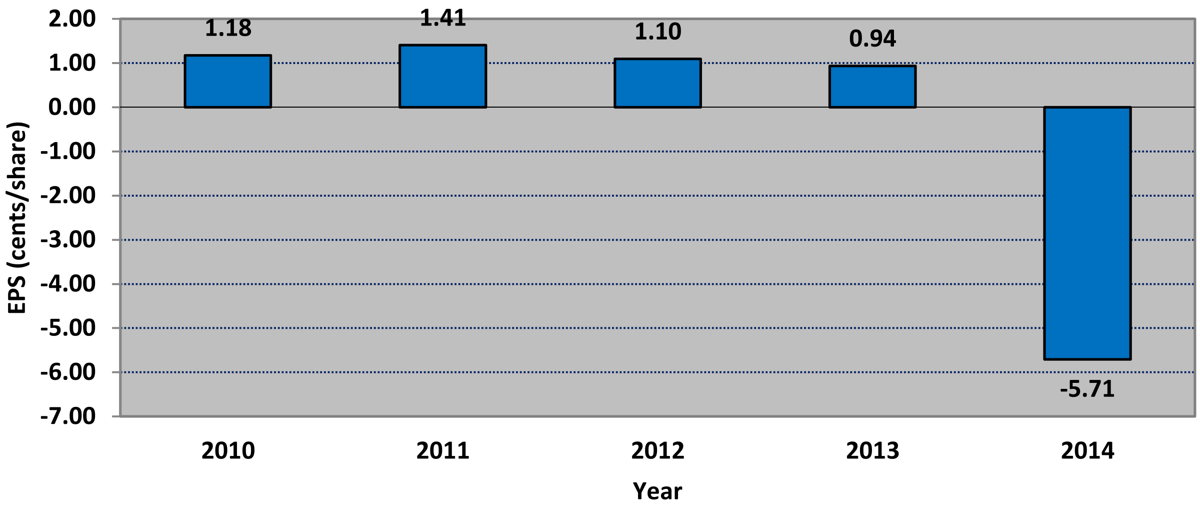
Executive Share Trading Policy

The Company has in place a share trading policy which imposes trading restrictions on officers and employees of the Company and its related entities that are considered to be in possession of inside information.

Furthermore, executives and Directors are required to declare their intention to trade in shares to the Company Secretary, which is then presented to the Board.

6. Company Performance and the Link to Remuneration

Group performance is reflected in the movement of the Group's EPS over time. The graph below shows ILH Group Limited's five year EPS performance:



The increase in EPS during the 2010 financial year represented the full year effect of business acquisitions in the prior year and normalised trading activities across the Group and in the Corporate Office.

In the 2011 financial year, EPS continued to be strong with a 19% increase over the prior year. The increase was driven by growth in business performance (a 51% increase in net profit after tax) and improvement in best practices to support improved margins and cost efficiencies.

In the 2012 financial year the main factor which influenced the reduction of EPS was the difficult trading conditions which occurred in the second half of the year particularly in May and June 2012. These adverse trading conditions affected the performances of all member firms and negatively affected revenue.

In the 2013 financial year a general downturn in the legal services industry across Australia played a part in the reduction of EPS. These adverse trading conditions affected the performances of all member firms and negatively affected revenue.

In the 2014 financial year a general downturn in the legal services industry across Australia also played a part in the reduction of EPS. These adverse trading conditions affected the performances of all member firms and negatively affected revenue. In addition, one-off acquisition related costs and the poor performance of the corporate advisory business affected performance.

As a result of the financial performance in the FY14 ILH Group Limited has revised its strategic plan, as discussed previously on page 6.

The table below summarises the consequence of the Group's performance on shareholder value for the financial year and the previous four financial years in the form of changes in share price and return on equity (in accordance with the requirements of the *Corporations Act 2001*):

Financial year ended 30 June	2010	2011	2012	2013	2014
Closing share price cents per share as at 30 June	10.0	12.0	10.0	8.30	4.30
Dividends per share (cents)	0.75	0.90	0.80	0.60	0.00
Dividend yield	8%	8%	8%	7%	0%

7. Executive Contractual Arrangements

Managing Director and Chief Executive

There is an employment contract in place between Mr Fowler and ILH for Mr Fowler's appointment as Managing Director and Chief Executive of the Company. The contract commenced on 28 April 2008 and continues indefinitely unless terminated according to the provisions of the contract.

From 1 July 2013 Mr Fowler received fixed remuneration of $405,400 per annum (inclusive of superannuation) (2013: $336,000). From 1 May 2014 this was reduced by 15% to $344,590.

Under the terms of the contract, Mr Fowler's duties include, but are not limited to:

- Implementing the business plan as determined by the Company;
- Carrying out such lawful directions as given by the Company; and
- Expanding and developing the business.

The agreement may be terminated without notice by ILH Group Limited if:

- Mr Fowler commits a serious breach of the agreement;
- Mr Fowler commits any act that amounts to a repudiation of the agreement;
- Mr Fowler engages in serious or wilful misconduct; or
- It is permitted for any reason under relevant legislation.

The agreement may also be terminated by either party with six months' notice in writing of termination. In lieu of notice, Mr Fowler would be entitled to a payment equivalent to six months of his salary at the time notice is given.

Chief Financial Officer and Company Secretary

The CFO and Company Secretary has a standard contract.

Mrs Rudd was the Company Secretary of the Group until the appointment of Ms Reena Minhas on 1 September 2014. Mrs Rudd was appointed to the newly created position of COO ("Chief Operating Officer") of ILH and its subsidiary companies on 7 August 2014 when Ms Minhas took over the role of CFO.

Mrs Rudd receives fixed remuneration of $234,215 per annum (inclusive of superannuation) (2013: $203,200).

Ms Minhas receives fixed remuneration of $210,000 per annum (inclusive of superannuation) (2013: nil).

The Company may terminate the employment agreements, of both Mrs Rudd's and Ms Minhas' contracts, by providing one month written notice or providing payment in lieu of the notice period (based on the fixed component of remuneration). The Company may terminate their contracts at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Both Mrs Rudd's and Ms Minhas' contracts contain standard obligations to perform the duties of an employee.

In lieu of notice, both Mrs Rudd and Ms Minhas would be entitled to a payment equivalent to one month of their salary at the time notice is given.

8. Equity Instruments Disclosures

Unissued Shares

The Company has not issued any options during the year.

9. Shareholdings of Key Management Personnel

Ordinary shares held in ILH Group Limited:

	Balance 1 July 2013	Dividend Reinvestment Plan	On Market Purchases	Deferred Employee Share Plan	Other	Balance 30 June 2014
Directors						
J Dawkins	3,165,382	72,358	-	-	11,595	3,249,335
A Tregonning	487,636	24,080	-	-	-	511,716
G Fowler	5,533,757	138,703	-	-	-	5,672,460
S Moss[(1)]	-	-	-	-	13,710,281	13,710,281
Executives						
JM Rudd	484,484	9,727	-	145,556	-	639,767
R Minhas[(2)]	-	-	-	-	-	-
J Ridgway[(3)]	-	-	-	-	2,028,782	2,028,782
D French[(3)]	-	-	-	-	6,593,926	6,593,926
Total	**9,671,259**	**244,868**	**-**	**145,556**	**22,344,584**	**32,406,267**

[1] S Moss commenced as a KMP on 26 August 2013 and ceased on 15 August 2014
[2] R Minhas commenced as a KMP on 7 August 2014
[3] J Ridgway and D French commenced as KMP's on 1 July 2014

	Balance 1 July 2012	Dividend Reinvestment Plan	On Market Purchases	Deferred Employee Share Plan	Net Change (Other)	Balance 30 June 2013
Directors						
J Dawkins	3,018,311	147,071	-	-	-	3,165,382
A Tregonning	438,693	48,943	-	-	-	487,636
G Fowler	5,155,069	273,688	105,000	-	-	5,533,757
Executives						
JM Rudd	347,294	4,690	-	132,500	-	484,484
Total	**8,959,367**	**474,392**	**105,000**	**132,500**	**-**	**9,671,259**

10. Transactions with Key Management Personnel

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial years:

Related Party		Sales to Related Parties $	Purchases from Related Parties $	Other Transactions with Related Parties $
CONSOLIDATED				
Associates:				
Stephen Moss[2]	**2015**	753,714	-	-
Stephen Moss[1]	**2014**	-	-	63,154
David French[1]	**2014**	-	-	30,374
John Ridgway	2013	-	-	250,000

[1] Deferred consideration paid in February 2014 in relation to the acquisition of CIPL.

[2] On 15 August 2014 the Directors of ILH announced that an agreement has been signed for the sale of Eaton corporate advisory business conditional upon shareholder approval (refer note 9).

Remuneration of Key Management Personnel of the Company and the Group
Table 1: Remuneration for the Year Ended 30 June 2014

	Short-term			Post Employment	Long-term		Share-based Payment		
	Salary & Fees $	Cash Bonus $	Non-monetary Benefits $	Superannuation $	Long Service benefits $	Other Benefits $	Shares $	Total $	Performance related %
Non-Executive Directors									
J Dawkins	74,509	-	-	6,969	-	-	-	81,478	0.0%
A Tregonning	61,705	-	-	5,707	-	-	-	67,412	0.0%
Sub-Total Non-Executive Directors	**136,214**	**-**	**-**	**12,676**	**-**	**-**	**-**	**148,890**	
Executive Directors		-							
G Fowler	381,531	-	-	19,150	8,459	-	-	409,140	0.0%
S Moss[1]	227,446	-	127,081	21,039	-	-	-	375,566	0.0%
Sub-Total Executive Directors	**608,977**	**-**	**127,081**	**40,189**	**8,459**	**-**	**-**	**784,706**	
Other Key Management Personnel									
JM Rudd	232,693	-	-	19,785	7,111	-	10,644	270,233	0.0%
R Minhas[2]	-	-	-	-	-	-	-	-	0.0%
J Ridgway[3]	-	-	-	-	-	-	-	-	0.0%
D French[4]	-	-	-	-	-	-	-	-	0.0%
Sub-Total Other KMP	**232,693**	**-**	**-**	**19,785**	**7,111**	**-**	**10,644**	**270,233**	
Total	**977,884**	**-**	**127,081**	**72,650**	**15,570**	**-**	**10,644**	**1,203,829**	

[1] Dr Moss became an Executive Director on 26 September 2013 and resigned on 15 August 2014.
[2] Ms Minhas became a Group Executive from 7 August 2014.
[3] Mr Ridgway became a Group Executive from 1 July 2014.
[4] Mr French became a Group Executive from 1 July 2014.

Remuneration of Key Management Personnel of the Company and the Group
Table 1: Remuneration for the Year Ended 30 June 2013

	Short-term			Post Employment	Long-term		Share-based Payment		
	Salary & Fees $	Cash Bonus $	Non-monetary Benefits $	Superannuation $	Long Service benefits $	Other Benefits $	Shares $	Total $	Performance related %
Non-Executive Directors									
J Dawkins	86,957	-	-	7,949	-	-	-	94,906	0.0%
A Tregonning	61,825	-	-	5,564	-	-	-	67,389	0.0%
Sub-Total Non-Executive Directors	**148,782**	**-**	**-**	**13,513**	**-**	**-**	**-**	**162,295**	
Executive Directors		-							
G Fowler	307,626	-	-	19,150	6,712	-	-	333,488	0.0%
Sub-Total Executive Directors	**307,626**	**-**	**-**	**19,150**	**6,712**	**-**	**-**	**333,488**	
Other Key Management Personnel									
JM Rudd	184,732	-	-	16,734	4,386	-	7,764	213,616	3.6%
Sub-Total Other KMP	**184,732**	**-**	-	**16,734**	**4,386**	**-**	**7,764**	**213,616**	
Total	**641,140**	**-**	**-**	**49,397**	**11,098**	**-**	**7,764**	**709,399**	

END REMUNERATION REPORT (Audited)

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A copy of the auditor's independence declaration received by the Directors in relation to the audit for the year is provided with this report on page 23 of this report.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	CONSOLIDATED	
	2014 $	2013 $
Tax compliance	**22,700**	32,400

Signed in accordance with a resolution of the Directors.

G Fowler
Managing Director

30 September 2014
Sydney

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of ILH Group Limited

In relation to our audit of the financial report of ILH Group Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

T G Dachs
Partner
30 September 2014

Corporate Governance Statement

The Board of Directors of ILH is responsible for the corporate governance of the Group having regard to the ASX Corporate Governance Council ("CGC") published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of ILH on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the CGC's recommendations:

	Recommendation	Comply Yes/No	Reference/ explanation	ASX Listing Rule/CGC recommendations
Principle 1 – Lay solid foundations for management and oversight				
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes		ASX CGC 1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes		ASX CGC 1.2
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes		ASX CGC 1.3
Principle 2 – Structure the Board to add value				
2.1	A majority of the Board should be independent Directors.	Yes	(a)	ASX CGC 2.1
2.2	The chair should be an independent Director.	Yes	(a)	ASX CGC 2.2
2.3	The roles of chair and chief executive officer ("CEO") should not be exercised by the same individual.	Yes		ASX CGC 2.3
2.4	The Board should establish a nomination committee.	Yes		ASX CGC 2.4
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes		ASX CGC 2.5
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes		ASX CGC 2.6
Principle 3 – Promote ethical and responsible decision-making				
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes		ASX CGC 3.1

Corporate Governance Statement continued

	Recommendation	Comply Yes/No	Reference/ explanation	ASX Listing Rule/CGC recommendations
Principle 3 – Promote ethical and responsible decision-making (continued)				
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes		ASX CGC 3.2
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes		ASX CGC 3.3
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes		ASX CGC 3.4
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes		ASX CGC 3.5
Principle 4 – Safeguard integrity in financial reporting				
4.1	The Board should establish an audit committee.	Yes		ASX CGC 4.1
4.2	The audit committee should be structured so that it: • consists only of Non-Executive Directors • consists of a majority of independent Directors • is chaired by an independent chair, who is not chair of the Board • has at least three members.	No	(b)	ASX CGC 4.2 ASX LR 12.7
4.3	The audit committee should have a formal charter.	Yes		ASX CGC 4.3
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Yes		ASX CGC 4.4
Principle 5 – Make timely and balanced disclosure				
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes		ASX CGC 5.1
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Yes		ASX CGC 5.2
Principle 6 – Respect the rights of shareholders				
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes		ASX CGC 6.1
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes		ASX CGC 6.2

Corporate Governance Statement continued

	Recommendation	Comply Yes/No	Reference/ explanation	ASX Listing Rule/CGC recommendations
Principle 7 – Recognise and manage risk				
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes		ASX CGC 7.1
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of this material business risks.	Yes		ASX CGC 7.2
7.3	The Board should disclose whether it has received assurance from the CEO (or equivalent) and the chief financial officer ("CFO") [or equivalent] that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes		ASX CGC 7.3
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes		ASX CGC 7.4
Principle 8 – Remunerate fairly and responsibly				
8.1	The Board should establish a remuneration committee.	Yes		ASX CGC 8.1
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent Directors • is chaired by an independent chair • has at least three members.	No	(c)	ASX CGC 8.2
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	Yes		ASX CGC 8.3
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes		ASX CGC 8.4

ILH's corporate governance practices were in place throughout the year ended 30 June 2014.

The following are reference notes to the Principle Recommendation table:

a) Whilst both Non-Executive Directors of ILH own shares in the Company, they are considered to be independent as they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. The number of shares held by both Non-Executive Directors is not considered material by management or by the chair of the Audit and Risk Management Committee.

b) The Audit and Risk Management Committee membership includes an Executive Director, being the Managing Director and Chief Executive. Inclusion of the Managing Director and Chief Executive is required to satisfy the recommendation that the committee must consist of at least three members.

c) The Nomination and Remuneration Committee membership includes both Non-Executive Directors of the Board, with the Chairman of the Board also acting as Chairman of the Committee. At such time as additional Non-Executive Directors are appointed to the Board, an increase to the membership on the Committee will be considered.

The total maximum remuneration of Non-Executive Directors is the subject of a shareholder resolution in accordance with the Company's Constitution, the *Corporations Act 2001* and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Group of the respective contributions by each Non-Executive Director.

Various corporate governance practices are discussed within this statement.

BOARD FUNCTIONS

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

The responsibility for the operation and administration of the Group is delegated by the Board to the Managing Director and Chief Executive and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and Chief Executive and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established an Audit and Risk Management Committee. The roles and responsibilities of this committee are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- Implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial KPIs.

Other functions reserved to the Board include:

- Approval of the annual and half-yearly financial reports;
- Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- Reporting to shareholders.

STRUCTURE OF THE BOARD

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors’ Report. Directors of ILH are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In the context of Director Independence 'materiality' is considered from both the Group and individual Director perspectives. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount.

Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the Group’s loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of ILH are considered to be independent:

Name	Position
J Dawkins	Chairman, Non-Executive Director
A Tregonning	Non-Executive Director

The Board recognises the CGC’s recommendations that the chair should be an independent Director.

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the Company’s expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	Term in Office
J Dawkins	7 years, 11 months
A Tregonning	7 years, 11 months
G Fowler	6 years, 4 months

For additional details regarding Board appointments, please refer to the ILH website.

PERFORMANCE

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators.

The performance criteria against which Directors and executives are assessed are aligned with the financial and non-financial objectives of ILH Group Limited.

Directors whose performance is consistently unsatisfactory may be asked to retire.

Corporate Governance Statement continued

TRADING POLICY

Under the Company's Share Trading Policy an executive or Director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Company Secretary to do so and a Director must first obtain the approval of the Chairman.

Additional restrictions on trading in the Company's securities apply to Directors of the Company, all executives reporting directly to the Managing Director and any other employees of the Company considered appropriate by the Managing Director and Company Secretary from time to time (Restricted Persons).

Restricted Persons are prohibited from trading in the Company's securities during the following closed periods:

- Between 1 July and one trading day following the announcement of the Company's full year results (preliminary final report); and
- Between 1 January and one trading day following the announcement of the Company's half-year results.

Restricted Persons are permitted to buy or sell Company shares during the closed periods in the following circumstances:

- Trading in a rights issue during a rights trading period;
- Shares are offered pursuant to an approved executive or employee share or option plan;
- Shares are offered pursuant to a dividend reinvestment plan;
- Shares are transferred between related entities pursuant to an internal reorganisation of a Director, officer or designated employee; or
- With the prior written clearance of the Chairman.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational KPIs. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit and Risk Management Committee during the year were:

- A Tregonning – Chairman
- J Dawkins
- G Fowler

Qualifications of Audit and Risk Management Committee Members

The qualifications and experience of the Audit and Risk Management Committee members are noted in the Directors' Report.

RISK

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so the Board has taken the view that it is crucial for all Board members to be a part of this process and as such, all Board members are part of the Audit and Risk Management Committee.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Managing Director and Chief Executive, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

As part of its duties, the Company's management conducts routine reviews with the objective of providing assurance on the adequacy of the Company's risk framework and the completeness and accuracy of risk reporting by management.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives in relation to the requirements of Principle 7:

- Effective and efficient use of the Company's resources
- Compliance with applicable laws and regulations
- Preparation of reliable published financial information

NOMINATION AND REMUNERATION COMMITTEE

On 27 June 2013, the Board established a Nomination and Remuneration Committee, which operates under a charter approved by the Board. The Committee is designed to meet at least annually.

Board Nominations

The Committee ensures that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Directors' and officers' remuneration to the Company's financial and operational performance.

The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives.
- Attraction of high quality management to the Company.
- Performance incentives that allow executives to share in the success of ILH.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to Non-Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the executive team as recommended by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee comprises Non-Executive Directors as follows:

- J Dawkins – Chairman
- A Tregonning

For details on the number of meetings of the Nomination and Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Qualifications of Nomination and Remuneration Committee Members

The qualifications and experience of the Nomination and Remuneration Committee members are noted in the Directors' Report.

Corporate Governance Statement continued

CHIEF EXECUTIVE AND CFO CERTIFICATION

In accordance with section 295A of the *Corporations Act 2001*, the CEO and CFO have provided a written statement to the Board that:

- Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

SHAREHOLDER COMMUNICATION POLICY

Pursuant to Principle 6, ILH's objective is to promote effective communication with its shareholders at all times.

The Group is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information about ILH's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in applicable ASX Listing Rules and the *Corporations Act 2001* in Australia.
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX.
- Through the distribution of the Annual Report and notices of AGM.
- Through shareholder meetings and investor relations presentations.
- Through letters and other forms of communications directly to shareholders.
- By posting relevant information on the ILH website.

The Company's website has a dedicated section for the purposes of publishing all important Company information and relevant announcements made to the market.

The external auditors are required to attend the AGM and are available to answer any shareholder questions about the conduct of the audit and preparation of the Audit Report.

Corporate Governance Statement continued

DIVERSITY POLICY

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed a diversity policy. This policy outlines ILH's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming five years as Director and senior executive positions become vacant and appropriately skilled candidates are available:

	Actual as at 30 June 2014		Objective
	Number	%	%
Number of women employees in the whole organisation	126	67%	40%-60%
Number of women Principals and in senior executive positions	8	31%	40%-60%
Number of women on member firms' Boards	2	14%	40%-60%
Number of women on ILH Board	1	25%	40%-60%

Under the requirements of the *Workplace Gender Equality Act 2012* all non-public sector employers with greater than 100 employees must submit a report on the gender profile of its organisation to the Workplace Gender Equality Agency ("WGEA") by 31 May each year. The report covers the period 1 April to 31 March and outlines the percentage of women employed in each occupational category within a business.

ILH Group has submitted its 2013/2014 report to the WGEA. A copy of the report and Notice of Compliance letter can be obtained from our website at www.ilh.com.au

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	CONSOLIDATED 2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	12	**233,244**	1,164,462
Trade and other receivables	13	**8,578,754**	10,749,159
Dividends receivable		**112,513**	125,906
Work in progress	14	**1,783,895**	2,928,984
Income tax receivable	8(d)	**-**	227,602
		10,708,406	15,196,113
Assets classified as held for sale	9	781,333	-
Total Current Assets		**11,489,739**	15,196,113
Non-Current Assets			
Investment in an associate	18	**2,784,281**	2,861,383
Plant and equipment	15	**727,738**	983,161
Goodwill	16	**22,183,651**	14,590,139
Intangible assets	17	**972,527**	666,330
Deferred tax assets	8(d)	**2,068,506**	-
Other assets	20	**-**	3,718
Total Non-Current Assets		**28,736,703**	19,104,731
TOTAL ASSETS		**40,226,442**	34,300,844
LIABILITIES			
Current Liabilities			
Trade and other payables	21	**4,283,214**	3,378,660
Interest-bearing loans and borrowings	22	**14,844,525**	623,115
Income tax payable	8(d)	**78,640**	-
Provisions	23	**1,274,443**	991,027
Other liabilities	24	**1,475,695**	114,494
		21,956,517	5,107,296
Liabilities associated with assets classified as held for sale	9	80,551	-
Total Current Liabilities		**22,037,068**	5,107,296
Non-Current Liabilities			
Interest-bearing loans and borrowings	22	**8,310**	8,374,908
Provisions	23	**587,958**	387,748
Deferred tax liabilities	8(d)	**-**	310,340
Other liabilities	24	**3,005,807**	162,127
Total Non-Current Liabilities		**3,602,075**	9,235,123
TOTAL LIABILITIES		**25,639,143**	14,342,419
NET ASSETS		**14,587,299**	19,958,425
EQUITY			
Contributed equity	25	**38,862,375**	34,831,886
Accumulated losses	26	**(26,323,477)**	(17,368,147)
Reserves	27	**2,048,401**	2,494,686
TOTAL EQUITY		**14,587,299**	19,958,425

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	CONSOLIDATED	
		2014 $	2013 $
Professional fees		**27,475,559**	31,719,416
Total revenue		**27,475,559**	31,719,416
Movement in fair value of financial liabilities		**575,056**	230,835
Share of profit in an associate		**124,289**	301,341
Interest revenue		**44,170**	32,916
Dividend revenue		**95**	138
Other income		**38,020**	24,850
Total other income		**781,630**	590,080
Occupancy expenses		**(3,022,724)**	(2,811,707)
Salaries and employee benefits expenses	7(a)	**(22,345,699)**	(21,641,716)
Depreciation and amortisation expenses	7(b)	**(715,243)**	(609,624)
Advertising and marketing expenses		**(530,890)**	(577,478)
Administrative expenses	7(c)	**(5,174,454)**	(4,111,781)
Other expenses	7(d)	**(1,961,780)**	(666,850)
Finance costs	7(e)	**(1,102,159)**	(522,955)
Share based payments expense		**(29,109)**	(37,226)
Total expenses		**(34,882,058)**	(30,979,337)
Profit before tax from continuing operations		**(6,624,869)**	1,330,159
Income tax benefit / (expense)	8(a)	**2,128,911**	(309,071)
Profit for the year from continuing operations		**(4,495,958)**	1,021,088
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	9	(4,459,372)	-
Net profit/(loss) for the year		**(8,955,330)**	1,021,088
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gains/(losses) on available-for-sale financial assets		**1,977**	856
Other comprehensive income/(losses) for the year, net of tax		**1,977**	856
Total comprehensive income/(loss) for the year		**(8,953,353)**	1,021,944
Basic earnings per share (cents)	11	**(5.71)**	0.94
Diluted earnings per share (cents)	11	**(5.71)**	0.94

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	CONSOLIDATED	
		2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		**34,536,535**	34,373,555
Interest received		**44,170**	32,916
Dividends received		**214,879**	34,413
Other revenue		**38,020**	24,850
Payments to suppliers and employees		**(35,951,304)**	(33,732,037)
Interest and other costs of finance paid		**(20,301)**	(448,414)
Income tax paid		**171,748**	(303,479)
Net cash flows used in operating activities	28(a)	**(966,253)**	(18,196)
Cash flows from investing activities			
Purchase of plant and equipment		**(231,756)**	(127,501)
Payment for intangible assets		**(180,057)**	(620,319)
Proceeds from the disposal of plant and equipment		**425**	-
Proceeds from available-for-sale investments		**5,694**	-
Payment for the acquisition of businesses		**(4,309,964)**	(2,017,809)
Net cash flows used in investing activities		**(4,715,658)**	(2,765,629)
Cash flows from financing activities			
Proceeds from borrowings		**5,419,005**	4,418,135
Repayment of borrowings		**(1,131,788)**	(949,818)
Dividends paid		**(346,561)**	(813,661)
Proceeds from issue of shares		**81,362**	-
Payments for share issue expenses		**(21,521)**	(19,641)
Net cash flows from financing activities		**4,000,497**	2,635,015
Net decrease in cash held		**(1,681,414)**	(148,810)
Cash and cash equivalents at the beginning of the financial Year		**1,130,826**	1,279,636
Cash and cash equivalents at the end of the financial year	12	**(550,588)**	1,130,826

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

As at 30 June 2014

CONSOLIDATED	Contributed Equity $	Accumulated Losses $	Net Unrealised Losses Reserve $	General Reserve $	Total Equity $
Balance as at 1 July 2012	**33,917,382**	**(17,368,147)**	**(1,223)**	**2,513,879**	**19,061,891**
Profit for the year	-	-	-	1,021,088	1,021,088
Other comprehensive gains	-	-	856	-	856
Total comprehensive income for the year	**-**	**-**	**856**	**1,021,088**	**1,021,944**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(1,039,914)	(1,039,914)
Share based payments	37,226	-	-	-	37,226
Issue of shares	898,395	-	-	-	898,395
Transaction costs on issue of shares	(19,641)	-	-	-	(19,641)
Income tax on items taken directly to or transferred from equity	(1,476)	-	-	-	(1,476)
Balance as at 30 June 2013	**34,831,886**	**(17,368,147)**	**(367)**	**2,495,053**	**19,958,425**

CONSOLIDATED	Contributed Equity $	Accumulated Losses $	Net Unrealised Losses Reserve $	General Reserve $	Total Equity $
Balance as at 1 July 2013	**34,831,886**	**(17,368,147)**	**(367)**	**2,495,053**	**19,958,425**
Loss for the year	-	(8,955,330)	-	-	(8,955,330)
Other comprehensive gains	-	-	1,977	-	1,977
Total comprehensive income for the year	**-**	**(8,955,330)**	**1,977**	**-**	**(8,953,353)**
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(448,262)	(448,262)
Share based payments	29,109	-	-	-	29,109
Issue of shares	4,016,444	-	-	-	4,016,444
Transaction costs on issue of shares	(21,520)	-	-	-	(21,520)
Income tax on items taken directly to or transferred from equity	6,456	-	-	-	6,456
Balance as at 30 June 2014	**38,862,375**	**(26,323,477)**	**1,610**	**2,046,791**	**14,587,299**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2014

1. Corporate Information

The consolidated financial report of ILH Group Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of Directors on 24 September 2014.

ILH Group Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the ASX. The company is domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of Significant Accounting Policies

BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

a) Going Concern

At 30 June 2014 the Group had a net current asset deficiency of $10,547,329 including a net cash overdraft position of $550,588 and interest-bearing loans and borrowings totalling $14,844,525 classified as current and net operating cash outflows of $966,253 for the year.

Due to the performance in the current year, ILH is in breach of the Group’s bank funding interest cover ratio (“ICR”) at 30 June 2014. In accordance with the terms of the loan, the Group’s bank loans totalling $13,599,098 have been reclassified as current liabilities. However, the bank is aware of ILH’s ongoing repositioning strategy and transformation process, and has provided a revised facility agreement dated 17 September 2014 with a maturity date of 31 January 2016. Full details of the new banking arrangements are provided in Note 35.

At the date of signing this report, given the revised bank funding arrangements and subject to the deferred consideration amounts payable being satisfied by way of the issue of shares only and not in cash, bank loans of $2.75m would be classified as current liabilities and $10.65m would be classified as non-current liabilities, as they are repayable outside the 12 month period.

The Directors have prepared the consolidated financial statements on a going concern basis which contemplates that the Group will continue to meet its commitments and therefore continue to realise its assets and settle its liabilities in the ordinary course of business.

In forming their view, the Directors believe that the following can be achieved; the settlement of the deferred consideration amounts payable will be settled by shares, the successful implementation of the Group’s new strategy, the Group trading in a manner that generates sufficient cash flow, and/or raising sufficient funds through other initiatives to enable the repayment of $2.75m on their due dates and to meet the working capital needs of the Group over the next 12 months. Other initiatives may include capital raising or the sale of assets.

2. Summary of Significant Accounting Policies (continued)

a) Going Concern (continued)

Should the above not be materially achieved, there would be significant uncertainty as to whether the Group could continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded assets' amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and IFRS as issued by the International Accounting Standards Board.

c) New Accounting Standards and Interpretations

From 1 July 2013, the Group has adopted all Australian Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 July 2013. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 10 Consolidated Financial Statements and AASB 127 Separate Financial Statements

The Group adopted AASB 10 in the current year. The application of AASB 10 did not affect the accounting for the Group's 49% interest in the equity shares in Rockwell Olivier (Melbourne) Pty Ltd ("ROM"). At the date of initial application of AASB 10 (1 July 2013) the Group assessed it did not have control based on the factors explained below:

The Group considered that ROM is an associate under AASB 128 Investments in Associates and is accounted for using the equity method.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements. The Group does not have subsidiaries with material non-controlling interests. The AASB 12 disclosures in relation to investments in associates are provided in Note 18.

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. AASB 13 also requires additional disclosures. Application of AASB 13 has not materially impacted the fair value measurements of the Group.

Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

2. Summary of Significant Accounting Policies (continued)

c) New Accounting Standards and Interpretations (continued)

AASB 124 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

This amendment deletes from AASB 124 individual KMP disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. These disclosures have been included in the Directors Report.

AASB 2013 – 3 Amendments to AASB 136 – Recoverable Amount for Disclosures of Non-Financial Assets

The Group has early adopted AASB 2013 – 3 amendments to AASB 136. This standard amends the disclosure requirements of AASB 136 Impairment of Assets. The disclosure requirements have been disclosed in note 16.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2014 are outlined in the following table. The Group has reviewed the list of new Australian Accounting Standards and Interpretation and have only included those that are considered relevant to the Group.

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group does not expect the adoption of this standard to impact the financial statements of the Group.	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	The Group does not expect the adoption of this standard to impact the financial statements of the Group.	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	Part A & B: 1 January 2014 Part C: 1 July 2015	The Group has not yet determined the impact of the amendments, if any.	Part A & B: 1 July 2014 Part C: 1 July 2015

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 9 / IFRS 9	Financial Instruments	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below: a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	The Group has not yet determined the impact of the amendments, if any.	1 July 2018

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.* Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: • AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. • AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. • AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's total assets. • AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	The Group has not yet determined the impact of the amendments, if any.	1 July 2014
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: • AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	The Group has not yet determined the impact of the amendments, if any.	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*	1 January 2014	The Group does not expect the adoption of this standard to impact the financial statements of the Group.	1 July 2014

2. Summary of Significant Accounting Policies (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Group has not yet determined the impact of the amendments, if any.	1 July 2016
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: • Clarify that AASB 1053 relates only to general purpose financial statements; • Make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*; • Clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and • Specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	The Group has not yet determined the impact of the amendments, if any.	1 July 2014

2. Summary of Significant Accounting Policies (continued)

d) Basis of Consolidation

The consolidated financial statements comprise the financial statements of ILH Group Limited and its subsidiaries (as outlined in note 29(a)) as at 30 June each year ("the Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

e) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred, and included as administrative expenses.

2. Summary of Significant Accounting Policies (continued)

e) Business Combinations (continued)

When the Group makes an acquisition, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

f) Investment in an Associate

The Group's investment in its associate, an entity in which the Group has significant influence, is accounted for using the equity method.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of losses of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2. Summary of Significant Accounting Policies (continued)

g) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and, if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

h) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within current interest-bearing loans and borrowings in current liabilities on the statement of financial position.

2. Summary of Significant Accounting Policies (continued)

i) Trade and Other Receivables

Trade receivables are initially recognised at the original fee amount. An estimate is made for doubtful debts when collection of the full amount is no longer probable. Bad debts are included in the statement of comprehensive income when identified. The Group's standard terms for settlement for trade receivables are 30 to 60 days.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debt.

Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the value of estimated future cash flows.

The above policy applies to intercompany receivables. Intercompany receivables are repayable on demand.

j) Work in Progress

Work in progress represents costs incurred and includes profit recognised to date on the value of work completed on matters that are in progress at reporting date. Costs include both variable and fixed costs directly related to matters.

Work in progress is valued at net realisable value after providing for any foreseeable losses.

k) Investments and Other Financial Assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Group determines the classification of its financial assets upon initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and De-recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

2. Summary of Significant Accounting Policies (continued)

k) Investments and Other Financial Assets (continued)

Available-For-Sale Securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables, or held to maturity investments. After initial recognition available-for sale securities are measured at fair value with gains or losses being recognised as other comprehensive income/loss until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as OCI is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

l) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such costs include the acquisition cost or cost of replacing parts that are eligible for capitalisation when the cost of replacing the part is incurred. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation rates used for each class of assets are as follows:

Class of fixed asset	Useful Life	Depreciation Rates	Depreciation Method
Plant and equipment	3 - 10 years	10.00 - 33.33%	Straight line
Leased equipment	Term of lease		Straight line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each reporting date.

De-recognition

An item of plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

2. Summary of Significant Accounting Policies (continued)

m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

n) Impairment of Non-Financial Assets Other than Goodwill

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. 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 that are largely independent of the cash inflows from the other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

2. Summary of Significant Accounting Policies (continued)

o) Goodwill and Intangibles

i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than an operating segment determined in accordance with AASB 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash generating units), to which the goodwill relates. When the recoverable amount of the cash generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit (group of cash generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

ii) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

2. Summary of Significant Accounting Policies (continued)

o) Goodwill and Intangibles (continued)

ii) Intangibles (continued)

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

A summary of the policies applied to the Group's intangible assets is as follows:

	Development costs
Useful lives	Finite
Amortisation method used	Amortised on a straight-line basis over the period of expected future sales from the related project
Internally generated or acquired	Internally generated

p) Trade and Other Payables

Trade payables and other payables are carried at amortised cost. However, due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

2. Summary of Significant Accounting Policies (continued)

q) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

t) Employee Benefits

i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2. Summary of Significant Accounting Policies (continued)

u) Share-Based Payment Transactions

i) Equity Settled Transactions

The Group provides benefits to its employees (including KMPs) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- Tax Exempt Employee Share Plan ("TEESP"), which provides benefits to all eligible employees; and
- Deferred Employee Share Plan ("DESP"), which provides benefits to key employees and Directors of the Group.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to the market price of the shares on the date of grant.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of ILH Group Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- The grant date fair value of the award;
- The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity-settled awards granted by ILH to employees of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by ILH in relation to equity-settled awards only represents the expense associated with grants to employees of the Parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

2. Summary of Significant Accounting Policies (continued)

u) Share-Based Payment Transactions (continued)

i) Equity Settled Transactions (continued)

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

v) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

w) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Rendering of Services

Revenue from the provision of legal services is recognised on an accruals basis in the period in which the legal service is provided and is calculated with reference to the professional staff hours incurred on each matter.

ii) On-line Legal and Non-Legal Documents and Publications

Revenue from the provision of on-line legal and non-legal documents and publications is recognised on an accruals basis at the time of delivery of the documents to customers.

iii) Subscription Income

Revenue from memberships granting the subscriber access to the knowledge base of weekly legal bulletins, on-line tools, calculators and services is recognised on a straight line basis which reflects the timing, nature and benefit provided. All memberships have a subscription period of either three or twelve months.

iv) Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest revenue over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

v) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

2. Summary of Significant Accounting Policies (continued)

x) Income and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

2. Summary of Significant Accounting Policies (continued)

x) Income and Other Taxes (continued)

i) Tax Consolidation Legislation

ILH and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, ILH, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, ILH also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution form) wholly-owned tax consolidated entities.

ii) Other Taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which 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 is classified as part of operating cash flows.

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

y) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, finance leases and cash.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

RISK EXPOSURES AND RESPONSES

Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short and long term debt obligations, with a floating interest rate. The level of debt is disclosed in note 22.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	CONSOLIDATED	
	2014 **$**	2013 $
Financial Assets		
Cash and cash equivalents (note 12)	**233,244**	1,164,462
Financial Liabilities		
Bank overdrafts (note 22)	**(783,832)**	(33,636)
Bank loans (note 22)	**(13,599,098)**	(8,270,098)
	(14,382,930)	(8,303,734)
NET EXPOSURE	**(14,149,686)**	(7,139,272)

The Group regularly analyses its interest rate exposure to ensure that the best returns are achieved while balancing the long term and short term cash flow requirements for the Group's business strategies. Within this analysis, consideration is given to the Group's future cash requirements, alternative cash depositing and debt funding facilities and the mix of fixed and variable interest rates on bank balances. The Board of Directors oversee the management of cash funds by management and investment opportunities through the acquisition of law firms.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

3. Financial Risk Management Objectives and Policies (continued)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Interest Rate Risk (continued)

At 30 June 2014 and 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2014 $	2013 $	**2014 4**	2013 $
Consolidated				
+0.5% (2013: +0.5%)	**(51,179)**	(25,856)	**-**	-
-0.25% (2013: -0.25%)	**25,589**	12,928	**-**	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity is higher in 2014 due to a higher exposure to interest rate risk from increased borrowings.

Management considers +50 basis points and -25 basis points as reasonably possible movements for the next twelve months based on management's expectations of future interest rate movements.

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and work in progress. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group manages its credit risk by trading with recognised, trustworthy third parties. In some instances security over trade receivables has been requested from specific clients (eg. monies held in trust, security over property or bank guarantee), usually dependent on the type of legal work being undertaken, as an added measure to guarantee payment in the event of an unsuccessful legal outcome or a protracted matter.

It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position and past experience on a case by case basis.

In addition, receivable balances are monitored on an on-going basis with follow up action taken immediately upon debts becoming overdue.

There are no significant concentrations of credit risk within the Group and financial instruments including cash and cash equivalents are spread between reputable financial institutions to minimise the risk of default of counterparties.

An analysis of the Group's trade receivables is included in note 13.

Notes to the Consolidated Financial Statements continued

For the year ended 30 June 2014

3. Financial Risk Management Objectives and Policies (continued)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Liquidity Risk

The Group's objective is to maintain adequate liquidity to meet the operating requirements of the business and to facilitate the Group's ongoing acquisition plans.

The table below reflects all contractually fixed amounts for settlement, repayments and interest resulting from recognised financial liabilities. Undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

The remaining contractual maturities of the Group's financial liabilities are:

	At Call $	≤6 months $	6-12 months $	1-5 years $	Total $
CONSOLIDATED					
30 June 2014					
Trade and other payables	**-**	**4,283,214**	**-**	**-**	**4,283,214**
Finance leases/HP agreements (gross)	**-**	**77,586**	**22,308**	**8,432**	**108,326**
Insurance premium funding facilities	**-**	**267,697**	**97,398**	**-**	**365,095**
Bank loans (secured)* – refer note 22	**13,599,098**	**-**	**-**	**-**	**13,599,098**
Bank overdraft – refer note 22	**783,832**	**-**	**-**	**-**	**783,832**
Interest expense – bank loans	**-**	**240,720**	**-**	**-**	**240,720**
Interest expense – overdraft	**-**	**114,816**	**-**	**-**	**114,816**
Rent guarantees	**-**	**-**	**295,485**	**414,825**	**710,310**
Total	**14,382,930**	**4,984,033**	**415,191**	**423,257**	**20,205,411**
30 June 2013					
Trade and other payables	-	3,378,660	-	-	3,378,660
Finance leases/HP agreements (gross)	-	103,175	91,092	108,039	302,306
Insurance premium funding facilities	-	306,545	103,657	-	410,202
Bank loans (secured) – refer note 22	-	-	-	8,270,098	8,270,098
Interest expense – bank loans	-	214,355	-	-	214,355
Rent guarantees	-	-	221,260	592,721	813,981
Total	-	4,002,735	416,009	8,970,858	13,389,602

*Subsequent to year end the bank loan was revised, and based on the revised agreement it would be shown as $2.75m as 6-12 months and the remaining balance as 1-5 years (refer note 35).

Liquidity risk is managed on the basis of the businesses' needs and is overseen by senior management. The Group makes use of daily and monthly cash flow analysis to consider the Group's overall liquidity risk and to monitor existing financial liabilities as well as effective controlling of future risks.

4. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units, using a “value in use” or “fair value less costs to sell” discounted cash flow methodology, to which the goodwill is allocated. No impairment loss in relation to continuing operations (2013: nil) was recognised in the current year. However an impairment loss of $4,146,286 was recognised in relation to the discontinued operations (note 9). The assumptions used in the estimation of recoverable amount and the carrying amount of goodwill including a sensitivity analysis are discussed in note 16.

Share Based Payment Transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined based on the market price of an ILH share at the grant date.

Contingent Consideration Payable

Any contingent consideration clauses have been formulated using ILH’s minimum expectations as a base (i.e. the contingent consideration is only payable on performance above these minimum expectations). Contingent consideration recognised represents the most probable outcome as determined by management. Future changes in the estimates of any contingent consideration payable will be recorded directly in the statement of comprehensive income in the period in which they occur.

Investment in an Associate

The Group has determined that based on the structure of the associate’s Board of Directors and consideration of the holders of the remaining interest in the associate, the Group has significant influence but not control over the associate. Accordingly, the Group’s investment in an associate is accounted for using the equity method.

4. Significant Accounting Judgements, Estimates and Assumptions (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has $1,434,032 (2013: nil) of tax losses carried forward that have been recognised as a deferred tax asset. These losses relate to losses in the current year, for which management consider it is highly probable that the Group will generate future taxable income in subsequent financial years to offset against the tax losses. On this basis, the Group has determined that it recognise deferred tax assets on the tax losses carried forward. Further details on taxes are disclosed in Note 8.

Discontinued operations

On 15 August 2014, the Directors of ILH advised that an agreement has been signed for the sale of the Eaton corporate advisory business, conditional on shareholder approval. Agreement has been reached with Symon Capital Pty Ltd (a company related to ILH executive director Stephen Moss) to buy the business.

The Directors considered that Eaton met the criteria to be classified as held for distribution at that date for the following reasons:

- Agreement was reached with Symon Capital Pty Ltd on 15 May 2014; and
- The Directors consider it is highly probable that shareholder approval at the AGM to be held in November 2014 will be achieved.

For additional details on the discontinued operation refer to Note 9.

5. Segment Information

OPERATING SEGMENTS

ILH has identified its operating segments based on the internal management reporting that is used by the executive management team (the chief operating decision maker) in assessing performance and allocating resources.

ILH's operating segments have been identified based on how the financial and operating results of the Group are monitored and presented internally to the executive management team. The reportable segments are based on aggregated operating segments determined by the similarity of the products sold and the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Rockwell Olivier (Perth), Rockwell Olivier (Sydney), Rockwell Olivier (Melbourne) and Signet Lawyers are operating within the legal services sector in the Australian market and have been aggregated to one reportable segment given the similarity of the services provided, method in which services are delivered, types of customers and regulatory environment.

CIPL is operating with the corporate advisory and wealth management services sector in the Australian market and has been aggregated to one reportable segment.

At 30 June 2014 the Eaton business (a business held within the CIPL entity) was classified as a discontinued operation held for sale and has been excluded from the segment note.

The ILH Head Office division has not been allocated to an operating segment, as the costs relate to managing group affairs, including group financing. These have been reflected in the "other" column on page 64 of this report.

5. Segment Information (continued)

Year ended 30 June 2014	Legal $	Corporate Advisory and Wealth Management $	Total Segments $	Other* $	Consolidated $
Revenue and other income					
External customers	24,232,167	3,414,131	27,646,298	610,891	28,257,189
Inter-segment	1,142,376	-	1,142,376	(1,142,376)	-
Total revenue and other income	**25,374,543**	**3,414,131**	**28,788,674**	**(531,485)**	**28,257,189**
Results					
Total profit/(loss) before tax	**(2,666,768)**	**41,996**	**(2,624,772)**	**(4,000,097)**	**(6,624,869)**
Operating assets					
Total assets	29,290,293	8,899,777	38,190,070	1,255,039	39,445,109
Less deferred tax assets	(198,281)	(309,522)	(507,803)	(1,560,703)	(2,068,506)
Total operating assets	**29,092,012**	**8,590,255**	**37,682,267**	**(305,664)**	**37,376,603**
Operating liabilities					
Total liabilities	4,952,594	5,762,007	10,714,601	14,843,992	25,558,593
Less income tax receivable / (payable)	-	(78,640)	(78,640)	-	(78,640)
Total operating liabilities	**4,952,594**	**5,683,367**	**10,635,961**	**14,843,992**	**25,479,953**

*Includes eliminations, adjustments, corporate office overheads and group financing.

As the Group was aggregated into only one reporting segment prior to the acquisition of CIPL on 1 September 2013, there is no segment reporting for the year ended 30 June 2013.

6. Parent Entity Information

a) Information relating to ILH Group Limited

	2014 $	2013 $
Current assets	**290,348**	1,607,829
Total assets	**36,506,706**	26,500,501
Current liabilities	**15,471,566**	343,896
Total liabilities	**15,885,189**	9,197,474
Issued capital	**38,862,375**	34,831,886
Accumulated losses	**(19,507,279)**	(19,241,566)
General reserve	**1,264,811**	1,713,074
Accumulated gains / (losses) on available-for-sale assets	**1,610**	(367)
Total shareholders' equity	**20,621,517**	17,303,027
Profit / (loss) of the Parent entity	**(265,713)**	1,021,088
Total comprehensive income of the Parent entity	**(265,713)**	1,021,944

b) Guarantees entered into by the Parent entity in relation to the debts of its subsidiaries

The Parent entity has issued guarantees in relation to the debts of its subsidiaries. Refer to note 33 for further details of the guarantees.

i) Members of the tax consolidated group and the tax sharing arrangement

ILH and its subsidiaries have formed a tax consolidated Group. ILH Group Limited is the head entity of the tax consolidated Group. Members of the Group have entered into a tax funding agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 *Tax Consolidation Accounting*

The head entity and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group. The current and deferred tax amounts of the members of the consolidated Group are recognised by the Company (as head entity in the tax consolidated Group).

6. Parent Entity Information (continued)

b) Guarantees entered into by the Parent entity in relation to the debts of its subsidiaries (continued)

i) Tax effect accounting by members of the tax consolidated group (continued)

Nature of the Tax Funding Agreement

Members of the tax consolidated Group have entered into a tax funding agreement. Amounts are recognised as payable to, or receivable by, the Company and each member of the tax consolidated Group in relation to the tax contribution amounts paid or payable between the Parent entity and the other members of the tax consolidated Group in accordance with this agreement. Where the tax contribution amount recognised by each member of the tax consolidated Group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the distribution is recognised as a contribution from (or distributed to) equity participants.

Tax Consolidation Contributions

ILH has recognised the following amounts as tax-consolidation contribution adjustments.

	PARENT	
	2014 $	2013 $
Total increase to tax payable of ILH Group Limited	**(786,090)**	1,055,031
Total increase to inter-company assets of ILH Group Limited	**(786,090)**	1,055,031

7. Revenue and Expenses

		CONSOLIDATED	
		2014 $	2013 $
a)	**Salaries and employee benefits expenses**		
	Salaries and wages expense	**20,708,109**	20,070,441
	Superannuation expense	**1,589,684**	1,542,578
	Fringe benefits tax	**47,906**	28,697
		22,345,699	21,641,716
b)	**Depreciation and amortisation expenses**		
	Depreciation of plant and equipment	**445,337**	524,876
	Loss on disposal of assets	**57,715**	-
	Amortisation of intangible assets	**212,191**	84,748
		715,243	609,624
c)	**Administrative expenses**		
	Professional and consulting fees:		
	Audit fees	**262,012**	233,530
	Accounting fees	**123,790**	32,400
	Computer consulting and expenses	**390,935**	354,968
	Consulting fees	**382,219**	175,284
	Legal fees	**81,350**	37,212
	Sub-total professional and consulting fees	**1,240,306**	833,394
	Insurance	**872,926**	815,201
	Other administrative expenses	**3,061,222**	2,463,186
		5,174,454	4,111,781
d)	**Other expenses**		
	Author royalty fees	**254**	47,537
	Debt collection	**90,254**	29,102
	Bad and doubtful debts	**1,552,059**	435,386
	Bank fees	**149,685**	150,705
	Capital raising and investor relations	**159,719**	-
	Other expenses	**9,809**	4,120
		1,961,780	666,850
e)	**Finance costs**		
	Interest – external entities	**837,701**	506,604
	Interest accretion	**264,458**	16,351
		1,102,159	522,955

8. Income Tax

	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
a) Income tax expense		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	**-**	83,340
Adjustment in respect of current income tax of previous years	**16,535**	23,599
Deferred income tax		
Relating to origination and reversal of temporary differences	**(2,114,042)**	226,665
Adjustment in respect of deferred income tax of previous years	**(31,404)**	(24,533)
Income tax (benefit) / expense reported in the statement of comprehensive income	**(2,128,911)**	309,071
Deferred income tax		
Gains/(losses) on available-for-sale financial assets	**-**	(142)
Income charged directly to other comprehensive income	**-**	(142)
b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged/(credited) directly to equity		
Capital raising costs	**(6,456)**	(1,476)
	(6,456)	(1,476)
c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate:		
Accounting profit / (loss) before income tax from continuing operations	**(6,624,869)**	1,330,159
Accounting loss before tax from discontinued operations	**(4,593,556)**	-
Total accounting profit / (loss) before income tax	**(11,218,425)**	1,330,159
At the Parent Entity's statutory income tax rate of 30% (2013: 30%)	**(3,365,528)**	399,048
Adjustments in respect of income tax of previous years	**(14,869)**	(934)
Entertainment	**36,277**	49,864
Share based payments expense	**8,733**	11,168
Fair value movement of financial liabilities	**(172,517)**	(69,251)
Equity accounted investment	**(37,287)**	(80,781)
Impairment loss	**1,243,886**	-
Other	**38,210**	(43)
Aggregate income tax (benefit) / expense	**(2,263,095)**	309,071
Income tax (benefit) / expense reported in the consolidated income statement	**(2,128,911)**	309,071
Income tax benefit attributable to a discontinued operation	**(134,184)**	-
	(2,263,095)	309,071

8. Income Tax (continued)

	CONSOLIDATED			
	2014 $	**2014 $**	2013 $	2013 $
	Current Income Tax	**Deferred Income Tax**	Current Income Tax	Deferred Income Tax
d) Recognised deferred tax assets and liabilities				
Opening balance	**227,602**	**(310,340)**	31,063	(106,733)
Acquisitions	**(117,960)**	**92,758**	-	-
(Charged)/credited to income	**(16,535)**	**2,279,632**	(106,940)	(202,131)
Charged to equity	**-**	**6,456**	-	(1,476)
Other payments	**(171,747)**	**-**	303,479	-
Closing balance	**(78,640)**	**2,068,506**	227,602	(310,340)
Tax expense in statement of comprehensive income		**(2,263,095)**		309,071
Amounts recognised in the statement of financial position:				
Deferred tax assets		**2,733,605**		728,592
Deferred tax liabilities		**(665,099)**		(1,038,932)
Deferred tax liabilities (net)		**2,068,506**		(310,340)

8. Income Tax (continued)

	STATEMENT OF FINANCIAL POSITION	
	2014 **$**	2013 $
Deferred income tax as at 30 June 2014 relates to the following:		
CONSOLIDATED		
i) Deferred tax assets		
Employee provisions:		
Annual leave	**298,193**	240,411
Long service leave	**270,856**	173,221
Doubtful debts	**347,617**	169,403
Amortisation - intangible assets	**53,474**	-
Depreciation – assets expensed	**211**	667
Accrued audit fees	**35,936**	28,583
Other accruals	**6,000**	-
Unpaid superannuation	**68,569**	65,036
Lease incentive	**-**	27,669
Borrowing costs	**4,739**	6,070
Capital raising costs	**79,794**	17,532
Losses on discontinued operations	**134,184**	-
Losses available for offsetting future assessable income	**1,434,032**	-
Gross deferred tax assets	**2,733,605**	728,592
Set-off of deferred tax liabilities	**(665,099)**	(728,592)
Deferred tax assets (net)	**2,068,506**	-
ii) Deferred tax liabilities		
Work in progress	**(535,168)**	(878,695)
Plant and equipment	**1,234**	(1,088)
Deferred consideration provisions	**-**	(14,869)
Identified intangibles at acquisition	**(3,750)**	(2,739)
Prepayments	**(127,415)**	(141,541)
Gross deferred tax liabilities	**(665,099)**	(1,038,932)
Set-off of deferred tax assets	**665,099**	728,592
Deferred tax liabilities (net)	**-**	(310,340)

At 30 June 2014, there are no unrecognised temporary differences and tax losses from prior years.

9. Discontinued operations

On 15 August 2014, the Directors of ILH advised that an agreement has been signed for the sale of the Eaton corporate advisory business, conditional on shareholder approval.

Agreement has been reached with Symon Capital Pty Ltd (a company related to ILH Executive Director Stephen Moss) ("Symon") to buy the business. It has been agreed that the risk to, and benefit of, the business will pass to the buyer effective 15 May 2014, with title passing to the buyer only upon shareholder approval being obtained.

Consideration for the sale will consist of the selective buy-back (cancellation) of 13,710,281 shares and $164,175 cash.

As a related party transaction and a substantial asset, the proposed sale is subject to shareholder approval of an ordinary resolution under ASX Listing Rules 10.1 and 10.2. The transaction requires an Independent Expert's Report to be provided to shareholders.

The selective buy-back (cancellation) of shares is subject to approval by shareholders of a special resolution under section 257D of the *Australian Corporation and Securities Legislation*. The Company will seek to have the transaction approved at the AGM to be held in November 2014.

The operations of Eaton have been classified as a discontinued operation held for sale. The results for Eaton for the year are presented below:

	2014 $	2013 $
Revenue	**404,339**	-
Expenses	**(851,609)**	-
Gross profit / (loss)	**(447,270)**	-
Impairment loss recognised on the re-measurement to fair value	**(4,146,286)**	-
Profit/(loss) before tax from a discontinued operation	**(4,593,556)**	-
Tax income:		
Related to current pre-tax profit/(loss)	**134,184**	-
Related to measurement to fair value less costs of disposal (deferred tax)	**-**	-
Profit/(loss) for the year from a discontinued operation	**(4,459,372)**	-

The major classes of assets and liabilities of Eaton classified as held for sale are as follows:

	2014 $	2013 $
Assets		-
Goodwill (note 16)	**753,714**	-
Trade and other receivables	**27,619**	-
Assets classified as held for sale	**781,333**	-
Liabilities		
Trade and other payables	**4,926**	-
Provisions	**11,450**	-
Deferred consideration	**64,175**	-
Liabilities associated with assets classified as held for sale	**80,551**	-
Net assets directly associated with disposal of a business	**700,782**	-

10. Dividends Declared

	CONSOLIDATED	
	2014 $	2013 $
a) Unrecognised amounts		
Dividends on ordinary shares - final franked dividend for 2014: 0.0 cents per share (2013: 0.4 cents per share)	-	446,485

	PARENT	
	2014 $	2013 $
b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2013: 30%)	**389,028**	792,168
Net franking credits that will arise from the receipt of income tax receivable as at the end of the financial year	-	(227,602)
The amount of franking credits available for future reporting periods	**389,028**	564,566
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	-	(191,351)
	389,028	373,215

c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2013: 30%).

Dividends proposed will be franked at the rate of 30% (2013: 30%).

11. Earnings per Share

The following reflects the income used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2014 **$**	2013 $
a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share:		
Net profit/(loss) attributable to ordinary equity holders of the Parent	**(8,955,330)**	1,021,088

	2014 **No**	2013 No
b) Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted earnings per share	**156,783,843**	108,853,820

No instruments (eg. share options) existed at reporting date which could potentially dilute basic earnings per share in either of the periods presented.

The Group issued 52,685,856 shares pertaining to the acquisition of CIPL and the business and assets of Pentad, as announced to the ASX on 31 July 2013.

Apart from the above, there have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

12. Cash and Cash Equivalents

	CONSOLIDATED	
	2014 **$**	2013 $
Cash at bank and in hand	**233,244**	1,164,462

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents approximate fair value.

	CONSOLIDATED	
	2014 **$**	2013 $
Reconciliation to statement of cash flows		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	**175,482**	1,160,712
Short-term deposits	**57,762**	3,750
Bank overdrafts (note 22)	**(783,832)**	(33,636)
	(550,588)	1,130,826

13. Trade and Other Receivables

	CONSOLIDATED	
	2014 $	2013 $
Trade receivables	**8,446,378**	10,049,886
Allowance for doubtful debts (a)	**(1,158,723)**	(564,678)
	7,287,655	9,485,208
Unbilled client disbursements	**209,022**	109,184
Prepayments	**894,158**	964,589
Other receivables	**187,919**	190,178
Carrying amount of trade and other receivables	**8,578,754**	10,749,159

a) Allowance for Doubtful Debts

Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts is recognised when there is objective evidence that an individual trade receivable is impaired. Cumulative bad and doubtful debts of $1,552,059 (2013: $435,386) have been recognised by the Group as at 30 June 2014 which includes bad debts expense recognised of $958,014 (2013: $352,787). These amounts have been included in other expenses.

Movements in the allowance for impairment loss were as follows:

	CONSOLIDATED	
	2014 $	2013 $
Opening balance at the beginning of the year	**564,678**	482,079
Less bad debts written off	**(958,014)**	(352,787)
Charge for the year	**1,552,059**	435,386
Closing balance at the end of the year	**1,158,723**	564,678

As at 30 June 2014, the ageing analysis of trade receivables is as follows:

		Total	0-30 days	31-60 Days	61-90 Days PDNI*	61-90 Days CI*	+91 Days PDNI*	+91 Days CI*
2014	**Consolidated**	**8,446,378**	**3,022,677**	**788,768**	**554,188**	**-**	**2,922,022**	**1,158,723**
2013	Consolidated	10,049,886	2,944,028	1,612,170	955,194	-	3,973,816	564,678

PDNI - past due not impaired CI – considered impaired

Receivables past due but not considered impaired are $3,476,210 (2013: $4,929,010). Each operating unit has been in direct contact with the relevant debtors and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Unbilled client disbursements are incurred only where sufficient assets are in trust or subject to recovery. As such, no impairment issues are noted.

b) Fair Value and Credit Risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the carrying value of receivables.

14. Work in Progress

	CONSOLIDATED	
	2014 $	2013 $
Work in progress	**1,783,895**	2,928,984

Allowance for recoverable amount

Work in progress is valued at its net realisable value after providing for any foreseeable losses that have been calculated using historical data.

15. Plant and Equipment

Reconciliation of Carrying Amounts at the Beginning and End of the Period

	CONSOLIDATED Plant and equipment	
	2014 $	2013 $
Year ended 30 June		
Balance as at 1 July net of accumulated depreciation	**983,161**	1,342,820
Additions	**202,660**	127,501
Acquisition of subsidiary	**45,413**	-
Disposals	**(58,159)**	-
Internal transfer	**-**	37,716
Depreciation charge for the year	**(445,337)**	(524,876)
Balance as at 30 June net of accumulated depreciation	**727,738**	983,161
As at 30 June		
Cost	**2,931,329**	2,888,745
Accumulated depreciation	**(2,203,591)**	(1,905,584)
Net carrying amount	**727,738**	983,161

16. Goodwill

a) Reconciliation of Carrying Amounts at the Beginning and End of the Period

	CONSOLIDATED	
	2014 $	2013 $
Year ended 30 June		
Balance as at 1 July net of accumulated impairment	**14,590,139**	**14,590,139**
Acquisition of subsidiary (note 19)	**12,493,512**	**-**
Discontinued operations (note 9)	**(4,900,000)**	
Balance as at 30 June net of accumulated impairment	**22,183,651**	**14,590,139**
As at 30 June		
Cost (gross carrying amount)	**27,749,477**	**15,255,965**
Accumulated impairment	**(665,826)**	**(665,826)**
Discontinued operations	**(4,900,000)**	**-**
Net carrying amount	**22,183,651**	**14,590,139**

b) Description of the Group's Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (c) of this note).

c) Impairment Tests for Goodwill with Indefinite Useful Lives

(i) Description of the Cash Generating Units and Other Relevant Information

Goodwill acquired through business combinations has been allocated to four individual cash generating units ("CGU") for impairment testing as follows:

- Rockwell Olivier (Sydney) cash generating unit;
- Signet Lawyers cash generating unit;
- Rockwell Olivier (Perth)* cash generating unit; and
- Capricorn Investment Partners Ltd cash generating unit.

*Rockwell Olivier (Perth) and Civic Legal merged effective 19 May 2014 and are treated as the one cash generating unit in the 2014 accounts of the Company. The 30 June 2013 comparative information has been updated to reflect this change.

The recoverable amount of the Rockwell Olivier (Sydney), Signet Lawyers and Rockwell Olivier (Perth) cash generating units has been determined based on a value in use calculation using cash flow projections as at 30 June that is based on a discounted cash flow methodology approved by the Board covering a five year period. The Capricorn Investment Partners Ltd cash generating unit is based on a fair value less costs of disposal using cash flow projections as at 30 June that is based on a discounted cash flow methodology approved by the Board.

The valuations have been reviewed and approved by the Board.

The recoverable amount is compared to the net carrying amount of goodwill recognised in the accounts. If the calculated recoverable amount exceeds the net carrying amount, no impairment loss is recorded.

16. Goodwill (continued)

c) Impairment Tests for Goodwill with Indefinite Useful Lives (continued)

(ii) Key assumptions used in recoverable value calculations

The key assumptions made by management in determining the recoverable value include:

	Rockwell Olivier (Sydney)	Capricorn Investment Partners Ltd	Signet Lawyers	Rockwell Olivier (Perth)*
Year ended 30 June 2014				
Goodwill recognised	**4,322,137**	**7,593,512**	**1,970,012**	**8,297,990**
Pre-tax nominal discount rate	**16.0%**	**16.0%**	**16.0%**	**16.0%**
Growth in fees – 2015	**12.0%**	**3.0%**	**(1.0%)**	**13.0%**
Growth in fees – 2016	**5.0%**	**10.0%**	**5.0%**	**5.0%**
Growth in fees – 2017	**5.0%**	**10.0%**	**5.0%**	**5.0%**
Growth in fees – 2018-2019	**5.0%**	**10.0%**	**5.0%**	**5.0%**
Long term growth rate	**2.5%**	**2.5%**	**2.5%**	**2.5%**
Year ended 30 June 2013				
Goodwill recognised	$4,322,137	-	$1,970,012	$8,297,990
Pre-tax nominal discount rate	15.5%	-	15.5%	15.5%
Growth in fees – 2014	17.0%	-	12.0%	(18.0%)
Growth in fees – 2015	5.0%	-	4.0%	10.0%
Growth in fees – 2016	5.0%	-	6.0%	5.0%
Growth in fees – 2017-2018	5.0%	-	5.0%	5.0%

*Rockwell Olivier (Perth) and Civic Legal merged effective 19 May 2014 and are treated as the one cash generating unit in the 2014 accounts of the Company. The 30 June 2013 comparative information has been updated to reflect this change.

Discount Rate

The discount rate applied of 16% (2013: 15.5%) is calculated using the weighted average cost of capital method and reflects management's estimate of the time value of money and risks specific to the cash generating units. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Growth in Fees

The forecast growth in fees is calculated on historical fees adjusted for budgeted fee increases, anticipated inflation and fee growth to be generated from the client base in line with market trends.

(iii) Sensitivity to Changes in Assumptions

With regards to the assessment of the value in use of the Rockwell Olivier (Sydney), Capricorn Investment Partners Ltd, Signet Lawyers and Rockwell Olivier (Perth) cash generating units, management consider the following in relation to the key assumptions for the recoverable amounts:

- Growth rate assumptions;

Management recognises that the growth rate, in particular for Rockwell Olivier (Perth) and Capricorn Investment Partners Ltd is dependent upon the performance of the CGU. If Rockwell Olivier (Perth) achieve a growth rate in 2015 of less than 7% this may result in impairment. If Capricorn Investment Partners Ltd’s growth rate for 2016 – 2019 is less than 8% this may result in impairment.

16. Goodwill (continued)

c) Impairment Tests for Goodwill with Indefinite Useful Lives (continued)

Management considers that no reasonably possible change in the growth rates of Rockwell Olivier (Sydney) and Signet Lawyers would cause impairment.

- Discount rates

A rise in pre-tax discount rate to above 17% for Capricorn Investment Partners Ltd may result in impairment. Management considers an appropriate range for the pre-tax nominal discount rate is 13% - 16% and have applied the upper end of the range to the recoverable amount calculations.

Management considers that no reasonably possible change in discount rate for Rockwell Olivier (Perth), Rockwell Olivier (Sydney) and Signet Lawyers would cause impairment.

17. Intangible Assets

Reconciliation of Carrying Amounts at the Beginning and End of the Period

	CONSOLIDATED	
	2014 $	2013 $
Opening balance (net of accumulated amortisation)	**666,330**	167,540
Capitalisation of IT development costs	**209,158**	620,319
Acquisition of a subsidiary	**309,230**	-
Amortisation	**(212,191)**	(84,748)
Internal transfer	**-**	(36,781)
Closing balance (net of accumulated amortisation)	**972,527**	666,330
Cost (gross carrying amount)	**1,277,147**	787,859
Accumulated amortisation	**(304,620)**	(121,529)
Net carrying amount at the end of the financial year	**972,527**	666,330

a) Description of the Group's Identified Intangible Assets

Intangible assets represent the costs associated with the development and design of the revised Law Central website in the 2013 and 2014 financial years.

The intangible asset relating to the capitalisation of website development costs commenced amortisation over its useful life in the 2014 year. It has been assessed as having a useful life of three years and is amortised using the straight line method over the remaining term and carried at cost less accumulated amortisation.

Acquisition during the period

During the due diligence process of the acquisition of CIPL an intangible asset was identified, relating to the development of a Portfolio Administration System ("PAS"). This has been assessed as having a useful life of five years and is being amortised using the straight line method over the remaining term and carried at cost less accumulated amortisation.

The amortisation has been recognised in the statement of comprehensive income in the line item depreciation and amortisation expense.

18. Investment in an Associate

Investment in Rockwell Olivier (Melbourne) Pty Ltd

Since 1 November 2012 the Company has held a 49% interest in the Melbourne based legal practice of Rockwell Olivier (Melbourne) ("ROM").

Deferred consideration was payable to ROM in July 2014 contingent upon the business achieving budgeted net profit before tax in the 2014 financial year. This was not achieved and as a result this amount is no longer payable and has been recognised in other income as a movement in the fair value of financial liabilities.

The carrying value of the investment at 30 June 2014 is $2,784,281 (30 June 2013: $2,861,383) and includes the Group's share of the associate's after tax profit for the period of $124,289.

ROM is a private entity that is not listed on any public exchange.

The following table illustrates the summarised financial information of the Group's investment in ROM:

	2014 $	2013 $
Share of the associate's statement of financial position		
Current assets	**1,226,724**	993,183
Non-current assets	**221,907**	258,765
Current liabilities	**(417,997)**	(592,840)
Non-current liabilities	**(485,832)**	(351,768)
Equity	**544,802**	307,340
Share of the associate's revenue and profit		
Revenue	**2,254,924**	1,712,901
Profit	**124,289**	301,341

For the year ended 30 June 2014

19. Business Combinations

Acquisition of Capricorn Investment Partners Limited

On 1 September 2013 the Company acquired 100% of the shares of Capricorn Investment Partners Limited ("CIPL") and the business and assets of The Pentad Group ("Pentad").

CIPL was an unlisted public company with operations in Queensland, New South Wales and Victoria. The business consists of two divisions: Corporate Advisory in Professional Services; and Wealth Management. In acquiring CIPL, the Company also acquired the business of a large Melbourne based boutique Financial Planning firm, Pentad. Pentad has been integrated with CIPL to provide scale to CIPL's Wealth Management operations.

Transaction Details

In the Company's acquisition announcement to the market on 31 July 2013, ILH outlined its intention to acquire 100% of the shares in CIPL, and the business and assets of Pentad on 1 September 2013, for consideration of $9,247,846. The consideration was to be satisfied by the issue of 52,685,856 ILH shares at 9.0 cents per share and the payment of $4,506,119 cash. In addition, contingent consideration of up to $5,002,211 would be payable over a two year period in scrip and cash if certain performance conditions were satisfied.

Due to a movement in the share price between the contract date and the date of issue of the shares, the shares issued on completion were valued at 7.2 cents per share.

A net tangible assets adjustment of $12,406 and $200,000 in cash were also withheld from payment at acquisition date pending completion of the acquisition balance sheet.

The sale agreement also provided for a reconciliation of CIPL net tangible assets to be done following finalisation of the CIPL acquisition balance sheet. Any difference between net tangible assets calculated at initial contract and the final balance sheet would be paid to or repaid by the sellers of CIPL. The final result was an additional amount of $189,000 payable to the sellers of CIPL, which is included in the contingent cash consideration amount at 30 June 2014.

The cash component was sourced from ILH's existing cash reserves and borrowing capacity. ILH received funding approval from its lenders to increase the company's commercial bill facility by $4,000,000 to $14,000,000 with the term extended for a further year to 15 December 2015.

The following constitutes the total consideration paid or payable calculated at present value:

	Initial Contract $	At Completion $
Consideration		
Cash	4,518,525	4,318,525
Contingent cash consideration (discounted)	2,825,942	3,214,942
Total cash consideration	7,344,467	7,533,467
Shares issued at fair value	4,741,727	3,793,382
Contingent share consideration (discounted)	1,680,589	1,680,589
Total share consideration	6,422,316	5,473,971
Total acquisition cost	**13,766,783**	**13,007,438**

19. Business Combinations (continued)

The following constitutes the fair value of net assets acquired:

	Fair value $
Assets	
Cash and cash equivalents	221,188
Trade and other receivables	719,574
Work in progress	13,885
Inventories	103,080
Property, plant and equipment	45,413
Intangible assets	309,230
Net deferred tax assets	92,760
Total assets acquired	**1,505,130**
Liabilities	
Trade and other payables	506,733
Income tax payable	117,960
Provisions	348,247
Other liabilities	18,264
Total liabilities acquired	**991,204**
Total identifiable net assets at fair value	**513,926**
Goodwill arising on acquisition	**12,493,512**

The goodwill of $12,493,512 comprises the value of expected synergies arising from the acquisition. The cash outflow from the acquisition transaction was $4,097,337 net of cash and cash equivalents acquired.

From the date of acquisition, CIPL has contributed $3,414,130 of revenue and $41,996 to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $3,695,745.

19. Business Combinations (continued)

Contingent Consideration

The following table summarises the contingent consideration of CIPL and Pentad at completion and at 30 June 2014:

	At Completion (undiscounted) $	At Completion (discounted) $	At 30 June 2014 (discounted) $
CIPL			
Contingent consideration A	602,106	563,761	397,659
Contingent consideration B	602,106	532,855	368,216
Payment withheld at acquisition date[1]	200,000	200,000	-
Net tangible asset adjustment	124,825	124,825	124,825
Total CIPL contingent consideration	**1,529,037**	**1,421,441**	**890,700**
Pentad			
Contingent consideration C	949,500	889,032	949,500
Contingent consideration D	949,500	840,294	879,197
Contingent consideration E	1,899,000	1,680,589	1,758,394
Total Pentad contingent consideration	**3,798,000**	**3,409,915**	**3,587,091**
Total contingent consideration (continuing operations)	**5,327,212**	**4,831,356**	**4,477,791**
Total contingent consideration (discontinued operations)	**64,175**	**64,175**	**64,175**
Total contingent consideration (gross)	**5,391,212**	**4,895,531**	**4,541,966**

1 Deferred consideration paid in February 2014

The contingent consideration payments at completion were recognised at fair value. At reporting date, contingent consideration payments A – E are recognised in the statement of financial position, in other liabilities, adjusted to the fair value at reporting date. Refer to reconciliation of movement in other liabilities (note 24).

The contingent consideration payments A and B payable to the vendor shareholders of CIPL as detailed below have been revised by way of a fair value adjustment to exclude the Eaton business.

Contingent Consideration – CIPL Shareholders

Of the total of $5,294,262, consideration of $3,890,051 was paid at completion ($982,869 paid in cash and $2,907,182 paid in ILH shares), with $1,404,211 withheld as contingent consideration over the next two years subject to achieving agreed financial targets for the combined CIPL and Pentad businesses.

Contingent Consideration A – $602,106 payable in cash in October 2014, subject to CIPL (including Pentad) achieving earnings before interest, tax and amortisation ("EBITA") of at least $1,728,000 for the 12 months ending 31 August 2014. If this target is achieved, the contingent consideration will be paid in full. Should this minimum target not be achieved, no contingent consideration A will be payable.

Contingent Consideration B – $602,105 payable in cash in October 2015, subject to CIPL (including Pentad) achieving an EBITA of at least $1,909,000 for the 12 months ending 31 August 2015. If this target is achieved, the contingent consideration will be paid in full. Should this minimum target not be achieved, no contingent consideration B will be payable.

19. Business Combinations (continued)

Contingent Consideration – Pentad Shareholders

The maximum acquisition consideration for the Pentad business is $8,019,856, comprising $6,120,856 which is based on a three times multiple of recurring revenue from acquired clients of $2,110,000, and up to $1,899,000 in respect of growth in recurring revenue from acquired clients.

Of the $6,120,856, consideration of $4,221,856 (70%) was paid at completion ($3,335,656 in cash and $886,200 in ILH shares), with 30% withheld as contingent consideration over the next two years subject to achieving agreed financial synergies with CIPL and the retention of recurring revenue from acquired clients.

Contingent Consideration C – payable in cash in October 2014 is subject to Pentad first achieving agreed target synergies (with CIPL) of at least $181,036 for the twelve months ending 31 August 2014. If this minimum target is not achieved, then no contingent consideration C will be payable.

If the agreed target synergies (above) are achieved, the October 2014 contingent consideration will be determined on the basis of recurring revenue from acquired Pentad clients, subject to a maximum consideration of $949,500 and a minimum of zero (pro rata basis).

The full amount will be payable where there is no change in recurring revenue from acquired clients in the twelve months ending 31 August 2014 ($2,110,000). The amount payable will reduce pro rata for any reduction in recurring revenue from acquired clients.

Contingent Consideration D - payable in cash in October 2015 is subject to Pentad first achieving agreed target synergies (with CIPL) of at least $362,072 for the twelve months ending 31 August 2015. If this minimum target is not achieved, then no contingent consideration D will be payable.

If the agreed target synergies (above) are achieved, the October 2015 contingent consideration will be determined on the basis of recurring revenue from acquired Pentad clients, subject to a maximum contingent consideration of $1,899,000 less any Pentad payment made in October 2014 (above).

The full amount will be payable where there is no change in recurring revenue from acquired clients ($2,110,000). The amount payable will reduce pro rata for any reduction in recurring revenue from acquired clients.

Clawback of Contingent Consideration C - should an amount be paid under contingent consideration C in October 2014, and subsequently in the twelve months ending 31 August 2015 the recurring revenue from acquired clients falls below that level, then the corresponding amount of contingent consideration C would be repaid by former Pentad shareholders to ILH to a maximum of the amount previously paid.

Contingent Consideration E – payable in ILH shares in October 2015 is subject to Pentad first achieving agreed target synergies (with CIPL) of at least $362,072 for the twelve months ending 31 August 2015. If this minimum target is not achieved, then no Contingent Consideration E is payable.

If the agreed target synergies (above) are achieved, then up to $1,899,000 is payable on a pro rata basis in October 2015 where Pentad achieves growth in recurring revenue from acquired clients for the 12 months ending 31 August 2015. This would be payable based on a three times multiple of the growth in recurring revenue from acquired clients.

The full amount will be payable where acquired recurring revenue is $633,000 higher than at acquisition. No contingent consideration E will be payable if there is no change in the recurring revenue from specific clients acquired at acquisition.

ILH believes that any increase in recurring revenue from acquired clients will be with minimal additional costs for the Company.

19. Business Combinations (continued)

The value ascribed to the issue of any ILH shares under contingent consideration E will be the volume weighted average ILH share price calculated over the 10 trading days immediately preceding the issue of these shares.

These shares will rank equally with the ILH ordinary shares already on issue, save for the final dividend payable in respect of the 2014/2015 financial year, where the new shares will not participate. These shares will be subject to a two year voluntary escrow period.

Divestment of Eaton Capital Partners Limited

On 15 August 2014 the Board announced that an agreement has been signed for the sale of the Eaton corporate advisory business, conditional on shareholder approval.

The Eaton business was acquired in September 2013 and has not met the Board's expectations.

Agreement has been reached with Symon Capital Pty Ltd (a company related to ILH executive director Stephen Moss) to buy the business. It has been agreed that the risk to, and benefit of, the business will pass to the buyer effective 15 May 2014, with title passing to the buyer only upon shareholder approval being obtained.

Consideration for the sale will consist of the selective buy-back (cancellation) of 13,710,821 ILH shares and $164,175 cash.

As a related party transaction and a substantial asset, the proposed sale is subject to shareholder approval of an ordinary resolution under ASX Listing Rules 10.1 and 10.2. The transaction requires an Independent Expert's Report to be provided to shareholders.

The selective buy-back (cancellation) of shares is subject to approval by shareholders of a special resolution under section 257D of the *Australian Corporation and Securities Legislation*.

The Company will seek to have the transaction approved at the AGM intended to be held in November 2014.

Stephen Moss resigned as a director of ILH effective 15 August 2014.

The 30 June 2014 financial statements record the transaction in the statement of comprehensive income and show the operating results of the business as loss after tax for the year from discontinued operations of $4,459,372, including an impairment charge of $4,146,286. In addition, the assets and liabilities associated with Eaton have been recorded in the balance sheet as assets classified as held for sale and liabilities associated with assets classified as held for sale.

The assets classified as held for sale recorded in the balance sheet include the value of the business according to the agreed sale consideration. The shares have been valued based on the closing share price at balance date. Movement between the share price at balance date and on the date of selective buy-back (cancellation) will be recorded as a gain or loss on sale in the FY15 financial year.

19. Business Combinations (continued)

Revised Banking Arrangements

On 18 September 2014, the Board advised that revised funding arrangements with St George Bank ("the bank") had been agreed. A condition of these revised arrangements is that deferred consideration amounts payable to the vendors of the CIPL and Pentad must be satisfied by way of the issue of shares only and not in cash (refer note 35).

The Board advises that negotiations with the vendors of CIPL and Pentad are well advanced in revising the deferred consideration arrangements from cash based payments to share based payments. These negotiations will be finalised in the form of amending deeds to the original sale agreements and are expected to include revisions to the form, timing, amount and conditions of contracted cash payments.

As required under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. The approval for this share issue will be sought at the Company's AGM in November 2014.

20. Financial Assets

	CONSOLIDATED	
	2014 $	2013 $
Available-for-sale financial assets		
Shares in listed securities – at fair value	-	3,718
	-	3,718

Available-for-sale investments consist of investments in ordinary shares. The fair value of listed available-for-sale investments has been determined based on quoted market prices (Level 1).

Quoted market price represents the fair value based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The shares in listed securities held by the Company were disposed of on 2 June 2014.

21. Trade and Other Payables

	CONSOLIDATED	
	2014 $	2013 $
Trade payables	**1,299,441**	877,378
Other payables and accruals	**2,983,773**	2,501,282
	4,283,214	3,378,660

a) Fair Value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

b) Interest Rate and Liquidity Risk

Information regarding interest rate and liquidity risk exposure is set out in note 3.

22. Interest Bearing Loans and Other Borrowings

	CONSOLIDATED	
	2014 **$**	2013 $
Current		
Bank overdraft	**783,832**	33,636
Obligations under finance leases and hire purchase contracts (note 32i))	**96,500**	179,277
Insurance premium funding (unsecured)	**365,095**	410,202
Bank loan (secured)	**13,599,098**	-
	14,844,525	623,115
Non-Current		
Obligations under finance leases and hire purchase contracts (note 32(i))	**8,310**	104,810
Bank loan (secured)	**-**	8,270,098
	8,310	8,374,908

Refer to note 2(a) for details regarding the reclassification of the Group's bank loan to current liabilities.

The carrying amount of the Group's current and non-current borrowings approximates their fair value. Details regarding liquidity risk are disclosed in note 3.

The bank loan is secured over the assets of ILH Group and its controlled entities. At 30 June 2014 the facility comprised a Commercial Bill Acceptance with a limit of $13,600,000, expiring in December 2015. This was drawn down by $13,599,098 at 30 June 2014. The Company paid its scheduled loan amortisation payment of $200,000 on 4 September 2014, which has reduced the balance of the loan. Under the terms of the revised bank facility agreement dated 17 September 2014 the Commercial Bill Acceptance limit has been revised to $13,400,000 expiring 31 January 2016. Details regarding the revised bank funding facilities are disclosed in note 35.

a) Assets Pledged as Security

The $13,599,098 bank loan is secured by a fixed and floating charge over the total assets of the Group.

b) Defaults and Breaches

As a result of the financial performance in FY14, ILH was in breach of the Group's bank funding interest cover ratio covenant ("ICR") at 30 June 2014.

In response, management has been undertaking urgent action to return the Group to profitability and positive cash flow, to alleviate pressures on the short term cash position, to restore working capital to an acceptable level, to move away from the ICR breach position and to strengthen the Group's balance sheet.

In this regard, the bank is fully aware of ILH's strategic and operational transformation process and key initiatives in this regard.

The bank acknowledged the continued breach of the ICR ratio in a letter to ILH dated 4 August 2014. In this letter the bank agreed to continue providing facilities to ILH and to forbear from enforcing its rights under the facilities, guarantees and securities until 19 September 2014.

During this period a limited scope lending review was undertaken by an appointed accounting firm including, but not limited to, a review of the Company's most recent month's historical financial performance (July 2014), FY15 financial forecasts for profitability, working capital and cash flow, as well as for ILH to provide a revised ratio and formula for the calculation of the ICR which is acceptable to the bank.

As discussed in the Directors' Report, revised bank funding arrangements were agreed with St George Bank on 17 September 2014. Further details regarding the revised bank funding facilities are disclosed in note 35.

23. Provisions

	CONSOLIDATED	
	2014 $	2013 $
Current		
Long service leave	**314,897**	189,658
Annual leave	**959,546**	801,369
	1,274,443	991,027
Non-Current		
Long service leave	**587,958**	387,748
	587,958	387,748

24. Other Liabilities

	CONSOLIDATED	
	2014 $	2013 $
Current		
Contingent consideration payable[1]	**1,471,984**	-
Lease incentive obligation[2]	**3,711**	114,494
	1,475,695	114,494
Non-Current		
Contingent consideration payable[3]	**3,005,807**	158,416
Lease incentive obligation[2]	**-**	3,711
	3,005,807	162,127

[1] Contingent consideration (current) payable on the acquisition of CIPL

	$
Financial liability for contingent consideration as at 1 July 2013	-
Addition due to CIPL and Pentad acquisition	1,790,024
Interest accretion	107,943
Fair value adjustment	(213,577)
Payment of contingent consideration	(212,406)
Closing balance at 30 June 2014	**1,471,984**

[2] Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability to ensure rental expense is recognised on a straight line basis over the lease term.

[3] Contingent consideration (non-current) payable on the acquisition of ROM (2014: Nil and 2013: $151,322), on the acquisition of Wojtowicz Kelly Legal (2014: Nil and 2013: $7,094) and the acquisition of CIPL (2014: $3,005,807 and 2013: Nil).

	$
Financial liability for contingent consideration as at 1 July 2013	158,416
Addition due to CIPL and Pentad acquisition	3,053,738
Interest accretion	156,515
Fair value adjustment	(361,478)
Payment of contingent consideration	(1,384)
Closing balance at 30 June 2014	**3,005,807**

25. Contributed Equity

	Consolidated 2014 Shares	Consolidated 2013 Shares	Consolidated 2014 $	Consolidated 2013 $
Fully paid shares	**165,702,280**	109,857,645	**38,678,900**	34,677,520
Partly paid shares[1]	**1,509,056**	1,763,500	**183,475**	154,366
Forfeited shares held in trust[2]	**(54,444)**	(100,000)	**-**	-
	167,156,892	111,521,145	**38,862,375**	34,831,886

[1] Shares issued under the Deferred Employee Share Plan that vest over three years (note 31).
[2] Shares issued but forfeited under the Deferred Employee Share Plan, held in trust (note 31).

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The shares have no par value.

Movement in Ordinary Shares on Issue

	Shares	$
Opening balance as at 1 July 2013	111,521,145	34,831,886
Issue of shares at 7.2 cents per share being part consideration for the acquisition of CIPL on 2 September 2013	40,377,523	2,907,182
Issue of shares at 7.2 cents per share being part consideration for the acquisition of the business and assets of Pentad on 2 September 2013	12,308,333	886,200
Issue of shares at 9.0 cents per share being part consideration for services performed by Corporate Advisor, Taylor Collison on 5 September 2013	444,444	40,000
Issue of shares under the Deferred Employee Share Plan	245,556	36,335
Forfeited shares under the Deferred Employee Share Plan	(200,000)	(7,226)
Issues of shares under Dividend Reinvestment Plan	1,255,471	101,701
Issue of shares at 7.9 cents per share being part consideration for services performed by US Corporate Advisor, RB Milestone Group on 6 January 2014	400,000	31,600
Issue of shares at 8.1 cents per share in part satisfaction of 2013 principal profit share entitlement on 6 January 2014	388,307	31,453
Issue of shares at 4.4 cents per share in part satisfaction of 2013 principal profit share entitlement on 30 April 2014	416,113	18,308
Costs associated with issuing shares	-	(21,520)
Income tax on items taken directly to or transferred from equity	-	6,456
Balance as at 30 June 2014	**167,156,892**	**38,862,375**

	Shares	$
Opening balance as at 1 July 2012	101,734,515	33,917,382
Issue of shares at 9.5 cents per share to vendors of ROM for a 25% interest in the business on 2 July 2012	3,152,958	299,531
Issue of shares at 9.5 cents per share to vendors of ROM for a further 24% interest in the business on 1 November 2012	3,026,842	287,550
Issue of shares at 10.0 cents per share in part satisfaction of 2011 & 2012 Principal profit share entitlements on 13 March 2013[1]	850,605	85,061
Issue of shares under the Deferred Employee Share Plan	472,500	54,920
Forfeited shares under the Deferred Employee Share Plan	(200,000)	(17,694)
Issue of shares under the Dividend Reinvestment Plan on 2 November 2012	1,880,797	176,803
Issue of shares under the Dividend Reinvestment Plan on 3 May 2013	602,928	49,450
Costs associated with issuing shares	-	(19,641)
Income tax on items taken directly to / or transferred from equity	-	(1,476)
Balance as at 30 June 2013	**111,521,145**	**34,831,886**

[1] Shares issued in part satisfaction of profit share cash entitlements which had been recognised under AASB 119 *Employee Benefits*.

25. Contributed Equity (continued)

a) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns to shareholders, and to maintain an optimal capital structure to allow the Group to pursue its future acquisition activities. Capital is comprised of shareholders' equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and increase or decrease the Group's debt, subject to the capital requirements of the Group's operations at the time.

During the year, the Company paid a dividend of $448,262 (2013: $1,039,914) of which $346,561 (2013: $813,661) was paid in cash and the balance of $101,701 (2013: $226,253) was issued as ordinary shares under the Company's Dividend Reinvestment Plan.

The Directors have not declared a final dividend for the 2014 financial year (2013: 0.4 cents per share totalling $446,485).

26. Accumulated Losses

	CONSOLIDATED	
	2014 $	2013 $
Accumulated losses	**(26,323,477)**	(17,368,147)
Balance at beginning of year	**(17,368,147)**	(17,368,147)
Loss for the period	**(8,955,330)**	-
Balance at end of the year	**(26,323,477)**	(17,368,147)

Accumulated losses represent net losses incurred prior to the listing of the Company on 17 August 2007 ($17,368,147) and the loss for the year ended 30 June 2014.

27. Reserves

	CONSOLIDATED	
	2014 $	2013 $
Net unrealised losses reserve	**1,610**	(367)
General reserve	**2,046,791**	2,495,053
Balance at end of the year	**2,048,401**	2,494,686

27. Reserves (continued)

Net Unrealised Losses Reserve

This reserve records movements in the fair value of available-for-sale financial assets.

General Reserve

As a result of accumulated losses incurred prior to the listing of the Company on 17 August 2007, the Directors resolved to isolate profits derived from trading activities since listing through the establishment of a General Reserve.

During the period nil (2013: nil) was transferred to the General Reserve from Accumulated Losses.

There were no additions recognised for the year in the General Reserve (2013: $1,021,088). The General Reserve was reduced by $448,262 (2013: $1,039,914) representing dividends paid during the year.

28. Cash Flow Reconciliation

		CONSOLIDATED	
		2014 **$**	2013 $
a)	**Reconciliation of net profit / (loss) after tax to net cash flows from operations**		
	Net profit / (loss) after tax from continuing operations	**(4,495,958)**	1,021,088
	Net loss after tax from discontinuing operations	**(4,459,372)**	-
		(8,955,330)	1,021,088
	Adjustments for:		
	Depreciation and amortisation expenses	**657,528**	609,624
	Loss on disposal of assets	**57,715**	-
	Share based payments expense	**29,109**	37,226
	Movement in fair value of financial liabilities	**(575,056)**	(230,835)
	Share of profit of an associate	**(124,289)**	(301,341)
	Impairment losses (note 9)	**4,146,286**	-
	Changes in assets and liabilities:		
	Decrease in trade and other receivables	**3,018,934**	75,432
	(Increase)/decrease in work in progress	**1,145,089**	(640,794)
	(Increase)/decrease in available-for-sale assets	**3,718**	(856)
	Increase/(decrease) in income tax payable	**188,282**	(196,539)
	(Decrease)/increase in trade and other payables	**1,352,260**	(403,830)
	Increase/(decrease) in net deferred tax liabilities	**(2,279,631)**	202,131
	(Decrease)/increase in provisions	**483,626**	(42,997)
	(Decrease) in other liabilities	**(114,494)**	(146,505)
	Net cash used in operating activities	**(966,253)**	(18,196)
b)	**Non-cash financing and investing activities**		
	Settlement of a subsidiary purchase with shares	**3,793,382**	-
	Settlement of an associate purchase with shares	**-**	587,081
		3,793,382	587,081

29. Related Parties

a) Subsidiaries

The consolidated financial statements include the financial statements of ILH Group Limited and the subsidiaries listed in the following table:

Name	Country of Incorporation	% EQUITY INTEREST		$ INVESTMENT	
		2014	2013	**2014**	2013
Rockwell Olivier (Sydney) Pty Ltd	Australia	**100%**	100%	**2**	2
Capricorn Investment Partners Limited	Australia	**100%**	100%	**13,007,438**	-
Rockwell Olivier (Perth) Pty Ltd	Australia	**100%**	100%	**1**	1
Civic Legal Pty Ltd	Australia	**100%**	100%	**1**	1
Signet Lawyers Pty Ltd	Australia	**100%**	100%	**1**	1
Law Central Co Pty Ltd	Australia	**100%**	100%	**712,884**	712,884
				13,720,327	712,889

All subsidiaries are domiciled in Australia.

b) Ultimate Parent

ILH Group Limited is the ultimate Australian Parent entity and the ultimate Parent of the Group.

c) Associate

The Group has a 49% interest in Rockwell Olivier (Melbourne) Pty Ltd.

d) Key Management Personnel

Details relating to KMP, including remuneration paid, are included in note 30.

30. Key Management Personnel

a) Compensation of Key Management Personnel

	2014 $	2013 $
Short-term employee benefits	**1,104,965**	641,140
Post-employment benefits	**72,650**	49,397
Other long-term benefits	**15,570**	11,098
Share-based payments	**10,644**	7,764
	1,203,829	709,399

31. Share Based Payment Plans

a) Recognised Share-Based Payment Expenses

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED	
	2014 **$**	2013 $
Expense arising from equity-settled share-based payment transactions	**29,109**	37,226
	29,109	37,226

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the year.

b) Types of Share-Based Payment Plans

Tax Exempt Employee Share Plan ("TEESP")

All employees are eligible to participate in the TEESP if they meet the following criteria:

- They have an adjusted taxable income of less than $180,000 per annum;
- They are a permanent full-time or permanent part-time employee of the Group;
- They have met the probation period under the terms of their employment contract;
- They are at least 18 years of age; and
- They are an Australian resident for tax purposes.

Employees who participate in the TEESP can nominate to contribute up to $1,000 per annum from their pre-tax wages or salary by way of an effective salary sacrifice towards acquiring fully paid ordinary shares in the Company.

In accordance with the rules of the TEESP, shares acquired under the plan must not be withdrawn or otherwise dealt with, commencing from the date the employee acquires a beneficial interest in those shares until the earliest of the date that:

- Is three years after the acquisition date; or
- The employee ceases to be an employee of the Group.

The rules of the TEESP do not contain any provisions that could result in an employee forfeiting ownership of shares under the plan.

31. Share Based Payment Plans (continued)

b) Types of Share-Based Payment Plans (continued)

Deferred Employee Share Plan ("DESP")

Shares are granted to key employees and Directors of the Group. The DESP is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

Employees are eligible to participate in the DESP if they meet the following criteria:

- They are a permanent full-time or permanent part-time employee of the Group;
- They have met the probation period under the terms of their employment contract;
- They are at least 18 years of age; and
- They are an Australian resident for tax purposes.

Under the DESP, the fair value of the shares is set at the market price of the shares on the date of grant.

When a participant ceases employment prior to the vesting of their shares, the shares are forfeited in full or in part, depending on the terms of award of those shares.

In the event of a change of control, the performance period end date will be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period.

The vesting period of each share is three years. There are no cash settlement alternatives.

c) Summary of shares granted under TEESP and DESP arrangements

The following table illustrates the number of and movements in shares granted during the period under the TEESP and the DESP:

	CONSOLIDATED	
	2014 $	2013 $
TEESP:		
Opening balance as at 1 July 2013	**252,672**	252,672
Transferred to departed employees during the year[1]	**-**	-
Closing balance as at 30 June 2014	**252,672**	252,672
DESP:		
Opening balance as at 1 July 2013	**1,763,500**	1,491,000
Granted during the year	**245,556**	472,500
Shares transferred upon vesting	**(300,000)**	-
Shares forfeited and held in trust	**(200,000)**	(200,000)
Closing balance as at 30 June 2014	**1,509,056**	1,763,500

[1] Shares are transferred out of an employee trust into the employee's name on termination of employment.

d) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life as at 30 June 2014 for the shares issued under the DESP is 0.61 years (2013: 0.91 years).

e) Weighted Average Fair Value

As at 30 June 2014, the weighted average fair value of shares granted under the DESP was 19.7 cents (2013: 12.0 cents).

For the year ended 30 June 2014

32. Expenditure Commitments

i) Leasing commitments

Operating Lease Commitments – Group as Lessee

The Group has entered into operating leases for the rental of office space at its various commercial premises. These non-cancellable leases have remaining terms from 1 to 5 years. The leases have renewal options. Renewals are at the option of the specific entity that holds the lease.

Future minimum rental amounts payable under non-cancellable operating leases as at 30 June 2014 are as follows:

	CONSOLIDATED	
	2014 $	2013 $
Within one year	**1,858,430**	2,400,023
After one year but not more than five years	**4,337,728**	5,065,778
After more than five years	**-**	-
Total minimum lease payments	**6,196,158**	7,465,801

Finance Lease and Hire Purchase Commitments – Group as Lessee

The Group has finance leases and hire purchase contracts for various items of plant and equipment with a carrying amount of $108,326 (2013: $302,305). These contracts expire within 1 to 3 years. The leases have terms of renewal and purchase options. Renewals are at the option of the specific entity that holds the lease.

	CONSOLIDATED	
	2014 $	2013 $
Within one year	**99,894**	194,266
After one year but not more than five years	**8,432**	108,039
Total minimum lease payments	**108,326**	302,305
Less amounts representing finance charges	**(3,516)**	(18,218)
Present value of minimum lease payments	**104,810**	284,087

	CONSOLIDATED	
	2014 $	2013 $
Included in the financial statements as:		
Current interest-bearing loans and borrowings (note 22)	**96,500**	179,277
Non-current interest-bearing loans and borrowings (note 22)	**8,310**	104,810
Total interest-bearing loans and borrowings	**104,810**	284,087

32. Expenditure Commitments (continued)

ii) Plant and Equipment Rental Commitments

The Group has contractual obligations for the rental of plant and equipment. The rental agreements expire within 6 years and have purchase options on expiry. Rental commitments contracted for at reporting date but not recognised as liabilities are as follows:

	CONSOLIDATED	
	2014 $	2013 $
Within one year	**16,751**	15,651
After one year but not more than five years	**52,549**	67,003
After more than five years	**-**	2,296
Total minimum rental payments	**69,300**	84,950

iii) Remuneration Commitments

	CONSOLIDATED	
	2014 $	2013 $
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	**2,004,176**	2,550,408
After one year but not more than five years	**5,816,354**	4,226,976
Total minimum remuneration commitments	**7,820,530**	6,777,384

33. Contingencies

Cross Guarantees

Pursuant to Class Order 98/1418, relief has been granted to Rockwell Olivier (Sydney) Pty Ltd, Civic Legal Pty Ltd, RO International Tax Services Pty Ltd, Law Central Co Pty Ltd, PLN Lawyers Pty Ltd, Signet Lawyers Pty Ltd, Capricorn Investment Partners Limited, Rockwell Olivier (Perth) Pty Ltd and Rockwell Olivier Pty Ltd from the *Corporations Act 2001* requirements for preparation, audit and lodgment of their financial reports.

As a condition of the Class Order, ILH Group Limited, Rockwell Olivier (Sydney) Pty Ltd, Civic Legal Pty Ltd, Law Central Co Pty Ltd, PLN Lawyers Pty Ltd, Signet Lawyers Pty Ltd, Capricorn Investment Partners Limited and Rockwell Olivier (Perth) Pty Ltd entered into a Deed of Cross Guarantee. The effect of the deed is that ILH Group Limited has guaranteed to pay any deficiency in the event of the winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that ILH Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated statement of comprehensive income and consolidated statement of financial position of the Group represent the financial performance and position of the entities that are members of the Closed Group.

34. Auditor's Remuneration

The auditor of ILH is Ernst & Young.

	CONSOLIDATED	
	2014 **$**	2013 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
• an audit or review of the financial report of the Company	**214,793**	214,184
• other services in relation to the Company		
- tax compliance	**22,700**	32,400
	237,493	246,584
Amounts received or due and receivable by non Ernst & Young (Australia) firms for:		
• other services in relation to the Company		
- special audits required by regulators	**34,812**	19,346
- taxation services	**8,190**	-
	43,002	19,346
	280,495	265,930

35. Events after Reporting Date

Revised Bank Funding Facilities

The revised bank facility agreement dated 17 September 2014 has a maturity date of 31 January 2016 and is subject to the following revised and additional conditions:

- Revised interest cover ratio targets which have been reset from 1 July 2014, the first calculation period being 1 July 2014 to 31 December 2014.
- Revised loan amortisation schedule
  - $250,000 per quarter from December 2014 (unchanged).
  - $2,000,000 by 15 March 2015 (new). In this regard the Board advises that management is advanced on a number of appropriate measures.
  - $300,000 per quarter from December 2015 (unchanged).

  The Directors advise that the Company paid its scheduled loan amortisation payment of $200,000 on 4 September 2014.
- Deferred consideration amounts payable to the vendors of CIPL and Pentad must be satisfied by way of the issue of shares only and not in cash. In this regard the Board advises that management is well advanced in negotiations with the vendors.

The Board and management are confident that as a result of initiatives implemented over the last several months and those still underway, these revised and additional conditions can be achieved by the Company.

The facilities offered under the revised facility agreement dated 17 September 2014 include:

• Bank Guarantee Line	$710,310
• Commercial Bill Facility	$13,400,000
• Commercial Overdraft	$1,500,000
• Business Vantage Visa Credit Card Facility	$300,000
• Total of all Limits	$15,910,310

Final Dividend 2013/14

The Directors have not declared a final dividend for the 2014 financial year (2013: 0.4 cents per share totalling $446,485).

Contingent Consideration

The 30 June 2014 balance sheet includes deferred consideration payable to the vendors of CIPL and Pentad. The Board advises that negotiations are advanced in revising these deferred consideration arrangements from cash based payments to share based payments (refer note 19).

Other than the divestment of Eaton and the changes to the deferred consideration arrangements noted above, there were no events occurring subsequent to balance date that have, or will have, a significant effect on the Group.

Directors' Declaration

In accordance with a resolution of the Directors of ILH Group Limited, I state that:

1. In the opinion of the Directors:

    a. The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

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

    - complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and

    b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b).

    c. subject to the matters outlined in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

3. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.

G Fowler
Managing Director

Sydney, 30 September 2014

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of ILH Group Limited

Report on the financial report

We have audited the accompanying financial report of ILH Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of ILH Group Limited is in accordance with the *Corporations Act 2001*, including:

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

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

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

Emphasis of Matter

Without qualifying our audit opinion expressed above, attention is drawn to the following matter. The conditions described in Note 2a 'Basis of Preparation - Going Concern', indicate the existence of a material uncertainty that may cause significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of ILH Group Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
30 September 2014

ASX Additional Information

Additional information required by the ASX and not shown elsewhere in this report is as follows. The information is current as at 17 September 2014.

a) Distribution of Equity Securities

Ordinary Share Capital

- 167,611,336 fully paid ordinary shares are held by 888 individual shareholders.
- All issued ordinary shares carry one vote per share and the right to dividends.

The numbers of shareholders by size of holding are:

The numbers of shareholders by size of holding are:	
1 – 1,000	20
1,001 – 5000	65
5,001 – 10,000	181
10,001 – 100,000	455
100,001 and over	167
	888
Holding less than a marketable parcel	340

b) Substantial Shareholders

	Fully Paid Number	Percentage (%)
Stephen Moss	13,710,281	8.18%
Bradley Maguire	8,438,721	5.03%

c) 20 Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Fully Paid Number	Percentage (%)
Lavalhars Pty Ltd <The Stephen Moss S/F A/C>	13,710,281	8.18
Australian Share Finance Pty Ltd <Bradley Maguire S/Fund A/C>	7,823,673	4.67
Legal Australia Pty Ltd <Davies Super Fund A/C>	7,412,821	4.42
Bobbin Ed Pty Ltd <Dolcezza Di Non Fare A/C>	6,038,405	3.60
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	5,957,815	3.55
Capricorn Investment Partners Ltd <D&S French Athelstane A/C>	5,312,031	3.17
Mr Michael John Cranny	4,567,669	2.73
Alford Consultants Pty Ltd <Warmington Family A/C>	3,105,392	1.85
Mr Lance Livermore & Mrs Pamela Carolyn Livermore <Pace Superfund A/C>	3,105,392	1.85
Primeyield Pty Ltd <Loran Investment A/C>	3,105,392	1.85
Mr John Paul Olivier	3,068,340	1.83
Mr Graeme Hilton George Fowler	2,724,996	1.63
Mr Graeme Hilton Fowler + Mrs Louise Patricia Fowler <Fowler Super Fund A/C>	2,607,711	1.56
Aloa Pty Limited	2,536,428	1.51
Yeras Pty Ltd <Kordic Family No 1 A/C>	2,259,913	1.35
Mrs Anna Catelli + Mr Gray Porter <Catelli/Porter Superfund A/C>	2,191,672	1.31
Mr Stephen Peter Skinner + Mrs Erin Marie Skinner <Skinner Super Fund A/C>	2,055,000	1.23
Pango Road Pty Limited <Ridgway Superannuation A/C>	2,028,782	1.21
Brendalis Pty Ltd <Taylor Family A/C>	2,000,349	1.19
Silverfox Investments Pty Ltd <Lou Kelly Testamentary Fund A/C>	1,909,000	1.14
	83,521,062	**49.83**