



ILH GROUP LIMITED
(Subject to Deed of Company Arrangement)

Financial Report
For the half year ended 31 December 2014

ACN 120 394 194
(ASX:ILH)

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ILH Group Limited (subject to deed of Company Arrangement)
Period Ended 31 December 2014

Corporate Information

ABN 20 120 394 194

Directors

David French
Owen Evans

Company Secretary

Reena Minhas

Registered Office

Kordamentha
Chifley Tower
Level 5
2 Chifley Square
Sydney, NSW 2000

Share Register

Computershare Investment Services Pty Ltd
Level 2
45 St Georges Terrace
Perth, WA 6000
Tel: (08) 9323 2000

ILH Group Limited shares are listed on the Australian Securities Exchange, although suspended.

Bankers

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

National Australia Bank Limited
100 St Georges Terrace
Perth WA 6000

Auditor

Stantons International Audit and Consulting Pty Ltd
Level 2,1 Walker Avenue
West Perth WA 6005

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

DIRECTORS' REPORT

The directors of ILH Group Limited (Subject to deed of Company Arrangement) (the Company) submit the financial report for the half-year ended 31 December 2014.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

The Hon John Dawkins AO	(Non-executive Chairman) – Resigned 01/10/2014
Anne Tregonning	(Non-executive Director) – Resigned 01/10/2014
Graeme Fowler	(Managing Director) – Resigned 01/12/2014
David French	(Managing Director) – Appointed 01/10/2014
Matthew Driscoll	(Non-executive Chairman) – Resigned 04/09/2015
Owen Evans	(Non-executive Director) – Appointed 01/12/2014
Stephen Moss	(Executive Director) – Resigned 15/08/2014

Operating and financial review

Consolidated revenues of \$12,852,019 were down 14% compared with previous corresponding half-year period of \$14,965,638.

The Group incurred a loss of (\$28,877,821) (31 Dec 2013: loss (\$1,394,135) for the half year ended 31 December 2014.

The Company was suspended from trading on the ASX on 12 December 2014 at its request and on 17 December Michael Brereton and Cliff Rocke was appointed as the Administrators of the Group and assumed control of the Group and their business, property and affairs.

The Administrators' strategy was designed around the precarious situation and the need to maximise the proceeds from asset sales, and to minimise ongoing costs so as to obtain the highest return possible for creditors. Based on this strategy the Administrators disposed of two of the groups subsidiaries for \$4.5m with the proceeds received subsequent to period end.

Incomplete records

The management and affairs of the Company and all its controlled entities have not been under the control of the Directors of the Group since it entered into voluntary administration on 17 December 2014.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting systems and the record of receipts and payments made available by the Administrator of the Company and its subsidiaries for the period from their appointment. However, it has not been possible for the Directors to obtain all the books and records of the Group.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Group's financial position.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Directors' Report (continued)

DISPOSAL OF SUBSIDIARIES

An unconditional offer for 100% of Law Central shares was received shortly following the appointment of Administrators. The offer was an all-cash offer of \$1,025,000, executed on 24 December 2014. The proceeds were received post period end.

An unconditional offer for 100% of Capricorn Investment Partners Limited shares was received shortly following the appointment of Administrators. The offer was an all-cash offer of \$3,500,000, executed on 24 December 2014. The proceeds were received post period end.

Significant events after the balance date

On the 1 April 2015, the Creditors resolved that the Company execute a Deed of Company Arrangement. On the 22 April 2015, the Company, the Deed Administrators and Pager Partners entered in to a DOCA. On the 2 March 2016 the creditors resolved to vary the terms of the DOCA as proposed by Benelong Capital Partners Pty Limited.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided on page 19 and forms part of this report.

Signed in accordance with a resolution of the current directors



Benjamin Harkham

Director



Allan Farrar

Director

Sydney, 31 May 2016

ILH Group Limited (subject to deed of Company Arrangement)
Period Ended 31 December 2014

Consolidated Statement of Financial Position

	Note	Consolidated As at 31 Dec 2014	Consolidated As at 30 Jun 2014
ASSETS		\$	\$
Current assets			
Cash and cash equivalents	5	10,957	233,244
Trade and other receivables	6	5,620,060	8,578,754
Dividends receivable		-	112,513
Work in Progress		-	1,783,895
Held for sale Assets		57,343	-
Available-for-sale financial assets		-	781,333
Total current assets		5,688,360	11,489,739
Non-current assets			
Investment in an associate		-	2,784,281
Plant and equipment		-	727,738
Goodwill	7	-	22,183,651
Intangible assets	8	-	972,527
Deferred tax assets		-	2,068,506
Total non-current assets		-	28,736,703
TOTAL ASSETS		5,688,360	40,226,442
LIABILITIES			
Current liabilities			
Trade and other payables		879,705	4,283,214
Interest bearing loans and borrowings	9	16,545,695	14,844,525
Income tax payable		-	78,640
Provisions		-	1,274,443
Other Liabilities		-	1,475,695
Liabilities associated with assets classified as held for sale		-	80,551
Total current liabilities		17,425,400	22,037,068
Non-current liabilities			
Interest bearing loans and borrowings	9	-	8,310
Provisions		-	587,958
Other liabilities		-	3,005,807
Total non-current liabilities		-	3,602,075
TOTAL LIABILITIES		17,425,400	25,639,143
NET ASSETS		(11,737,040)	14,587,299
Equity			
Issued Capital	10	41,415,857	38,862,375
Accumulated losses		(53,152,897)	(26,323,477)
Reserves	11	-	2,048,401
TOTAL EQUITY		(11,737,040)	14,587,299

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

ILH Group Limited (subject to deed of Company Arrangement)
Period Ended 31 December 2014
Consolidated Statement of Profit or loss and other Comprehensive Income

	Note	Consolidated For the half year ended 31 Dec 2014	Consolidated For the half year ended 31 Dec 2013
		\$	\$
Professional fees revenue		12,852,019	14,965,638
Total Revenue		12,852,019	14,965,638
 Movement in fair value		78,763	166,163
Share of profit of an associate		-	116,408
Interest Income		22,207	27,579
Dividends received		-	62
Other Income	4	406	1,339
Total Other income		101,376	311,551
 Occupancy expenses		(1,126,307)	(1,565,303)
Salaries and employee benefit expenses		(9,089,016)	(11,605,291)
Depreciation and amortisation expenses		(248,160)	(323,585)
Office Expenses		(1,682,587)	(2,721,000)
Advertising and marketing expenses		(148,020)	(215,063)
Other expenses		(5,020,054)	(384,118)
Net loss on disposal of subsidiaries	13	(1,845,553)	
Interest expenses		(634,827)	(547,796)
Share based payments expense		-	(11,694)
Total expenses		(19,794,524)	(17,373,850)
(Loss) before income tax		(6,841,129)	(2,096,661)
Income tax benefit (expense)		(11,175)	702,526
(Loss) after income tax before impairments		(6,852,304)	(1,394,135)
Impairment expense			
Impairment expense – Work in progress		(2,149,489)	-
Impairment expense – Dividends Receivable		(112,513)	-
Impairment expense – Investment in Associate		(2,811,044)	-
Impairment expense – Deferred Tax Assets		(1,564,453)	-
Impairment expense – Goodwill	7	(14,553,221)	-
Impairment expense – Plant and Equipment		(609,797)	-
Impairment expense – Intangibles		(225,000)	-
Net (loss) for the period after impairments		(28,877,821)	(1,394,135)
 Other comprehensive income			
Items that may be reclassified subsequently into profit or loss:			
Items that cannot be reclassified subsequently to Profit or Loss			
Net (Loss)gains on available-for-sale financial assets		-	1,947
Other comprehensive income for the period net of tax		-	1,947
Total comprehensive (loss) for the period		(28,877,821)	(1,392,188)
 Basic (loss) per share (cents)		(0.15)	(0.95)
Diluted (loss) per share (cents)		(0.15)	(0.95)

The above Consolidated Statement of Profit or loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Consolidated Statement of Cash Flows

	Note	Consolidated For the half year ended 31 Dec 2014	Consolidated For the half year ended 31 Dec 2013
		\$	\$
Cash flows from operating activities			
Receipts from customers		20,459,577	18,173,868
Payments to suppliers and employees		(17,938,194)	(17,453,068)
Interest received		22,207	27,579
Dividends received		-	214,846
Sundry Income		406	1,339
Interest and other costs of finance paid		(159,318)	(345,177)
Income tax paid		(78,640)	-
Net cash flows from operating activities		2,306,038	619,387
Cash flows from investing activities			
Purchase of plant and equipment		(97,207)	(31,927)
Payment of intangible assets		(41,085)	(151,001)
Payment for the acquisition of businesses		(1,993,536)	(4,098,721)
Proceeds from the disposal of plant and equipment		-	340
Proceeds from the disposal of intangibles		-	-
Net cash flows (used in) investing activities		(2,131,828)	(4,281,309)
Cash flows from financing activities			
Payment for share issue expenses		(1,614)	(96,912)
Proceeds from borrowings		(287,020)	4,599,907
Repayments of borrowings		(531,393)	(493,832)
Payment of dividends		-	(346,561)
Net cash flows (used in) / from financing activities		(820,027)	3,662,602
Net increase in cash held		(645,817)	680
Cash and cash equivalents at the beginning of the Period*		(550,588)	1,130,826
Cash and cash equivalents at the end of the period	5	(1,196,405)	1,131,506

*Reconciliation of cash and cash equivalents at the beginning of the period can found at Note 5.

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

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Consolidated Statement of Changes in Equity

CONSOLIDATED	Contributed Equity \$	Accumulated Losses \$	Net Unrealised Gains/(Losses) Reserve \$	General Reserve \$	Total Equity \$
At 1 July 2014	38,862,375	(26,323,477)	1,610	2,046,791	14,587,299
(Loss) for the Period	-	(28,877,821)	-	-	(28,877,821)
Other comprehensive income	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	(28,877,821)	-	-	(28,877,821)
Transactions with owners in their capacity as owners					
Transfer of reserves to accumulated losses	-	2,048,401	(1,610)	(2,046,791)	-
Shares issued	2,553,482	-	-	-	2,553,482
Share-based payments	-	-	-	-	-
Transaction costs on share issue	-	-	-	-	-
Income tax on items taken Directly to or transferred from equity	-	-	-	-	-
Balance as at 31 December 2014	41,415,857	(53,152,897)	-	-	(11,737,040)

CONSOLIDATED	Contributed Equity \$	Accumulated Losses \$	Net Unrealised Gains/(Losses) Reserve \$	General Reserve \$	Total Equity \$
At 1 July 2013	34,831,886	(17,368,147)	(367)	2,495,053	19,958,425
(Loss) for the Period	-	-	-	(1,394,135)	(1,394,135)
Other comprehensive income	-	-	1,947	-	1,947
Total comprehensive income/(loss) for the period	-	-	1,947	(1,394,135)	(1,392,188)
Transactions with owners in their capacity as owners					
Dividends paid	-	-	-	(448,262)	(448,262)
Shares issued	3,935,082	-	-	-	3,935,082
Share-based payments	11,694	-	-	-	11,694
Transaction costs on share issue	(96,912)	-	-	-	(96,912)
Income tax on items taken Directly to or transferred from equity	28,839	-	-	-	28,839
Balance as at 31 December 2013	38,710,589	(17,368,147)	1,580	652,656	21,996,678

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

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

1) CORPORATE INFORMATION

The interim financial report of ILH Group Limited and its controlled entities for the half year ended 31 December 2014 was authorised for issue at the date of the director's report.

2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by ILH Group Limited and its controlled entities (the Group) during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations under the ASX Listing Rules.

The half-year financial report is prepared in Australian dollars and on a historical cost basis, except for available-for-sale investments, which have been measured in fair value.

For the purposes of preparing the half-year financial report, the half year has been treated as a discrete reporting period.

Incomplete records

The management and affairs of the Company and all its controlled entities have not been under the control of the Directors of the Group since it entered into voluntary administration on 17 December 2014.

To prepare the financial report, the Directors have reconstructed the financial records of the Group using data extracted from the Group's accounting systems and the record of receipts and payments made available by the Administrator of the Company and its subsidiaries for the period from their appointment. However, it has not been possible for the Directors to obtain all the books and records of the Group.

Consequently, although the Directors have prepared this financial report to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that this financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, nor is it possible to state this financial report gives a true and fair view of the Group's financial position.

New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period

There are no new or revised accounting standard requirements that became mandatory for the first time for the half year period ended 31 December 2014.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Going Concern

The Company was suspended from trading on ASX on 12 December 2014 at its request. On 17 December 2014, Michael Brereton, and Cliff Rocke of Korda Mentha were appointed as Voluntary Administrators of the Company and assumed control of the Company and its business, property and affairs.

There is significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business.

The financial report contains adjustments relating to the recoverability and classification of recorded assets to the amounts or classification of recorded assets or liabilities that might be necessary should the consolidated entity not be able to continue as going concern.

Significant accounting policies

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements.

b) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of ILH Group Limited and its subsidiaries as at 31 December 2014.

Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses profit and losses resulting from intra-group transactions have been estimated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

c) Inventories

Inventories are valued at the lower cost or net realisable value.

Inventories relate to the costs that are directly attributable to specific mandates undertaken by the Corporate Advisory business and which are billable under success fee arrangements. These costs consist primarily of the labour and other costs of personnel directly engaged in providing the service, including supervisory personnel, and attributable overheads. Labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they incurred. The cost of inventories of a service provider does not include profit margins or non-attributable overheads that are often factored into prices charged by service providers.

Net realisable value is the estimated selling price in the ordinary course of the business, less estimated costs of completion and the estimated costs necessary to make the sale.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

3) SEGMENT INFORMATION

Operating segments

ILH Group Limited is identified its operating segments base 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 Group Limited'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 Oliver (Perth), Rockwell Oliver (Sydney), Rockwell Oliver (Melbourne), Civic Legal 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.

Capricorn Investment Partners Limited is operating within the corporate advisory and wealth management services sector in the Australian market, and has been aggregated to one reportable segment.

ILH Group 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 as adjustments and eliminations on page 11.

ILH Group Limited (subject to deed of Company Arrangement)
Period Ended 31 December 2014
Condensed Notes to the Consolidated Financial Statements

3) SEGMENT INFORMATION (continued)

Operating segments (continued)

Half-year ended 31 December 2014	Legal \$	Corporate Advisory and Wealth Management \$	Total segments \$	Adjustments and eliminations \$	Consolidated \$
Revenue and other income					
External customers	11,426,951	1,869,165	13,296,116	(342,721)	12,953,395
Inter-segment	39,389	-	39,389	(39,389)	-
Total revenue and other income	11,466,340	1,869,165	13,335,505	(382,110)	12,953,395
Results					
Total profit/(loss) before tax	60,621	315,782	376,403	(29,254,224)	(28,877,821)

As at the 31 December 2014 due to the group entering administration the group had only one segment therefore the no additional disclosure was required for segment assets and segment liabilities.

Half-year ended 31 December 2013	Legal \$	Corporate Advisory and Wealth Management \$	Total segments \$	Adjustments and eliminations \$	Consolidated \$
Revenue and other income					
External customers	13,492,099	1,615,193	15,107,640	169,549	15,277,188
Inter-segment	648,738	-	648,738	(648,738)	-
Total revenue and other income	14,140,837	1,615,193	15,756,378	(479,189)	15,277,188
Results					
Total profit/(loss) before tax	(110,881)	155,861	44,980	(2,141,641)	(2,096,661)
Operating assets					
Total assets	31,476,348	10,380,221	41,856,569	4,384,586	46,241,155
Less income tax receivable	-	-	-	(261,682)	(261,682)
Less deferred tax assets	(64,017)	(53,742)	(117,759)	(411,289)	(529,048)
Total Operating assets	31,412,331	10,326,479	41,738,810	3,711,615	45,450,425
Operating liabilities					
Total liabilities	25,502,059	1,603,340	27,105,399	(2,860,922)	24,244,477
Less deferred tax liabilities	(203,250)	-	(203,250)	203,250	-
Total operating liabilities	25,298,809	1,603,340	26,902,149	(2,657,672)	24,244,477

The prior comparatives have been audited by Ernst & Young

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

4) OTHER INCOME

	Consolidated Half-year Ended 31 Dec 2014 \$	Consolidated Half-year Ended 31 Dec 2013 \$
Sundry income	406	1,339

5) CASH AND CASH EQUIVILANTS

	Consolidated Half-year Ended 31 Dec 2014 \$	Consolidated year Ended 30 June 2014 \$
Cash at bank and in hand	10,957	233,244

	Consolidated Half-year Ended 31 Dec 2014 \$	Consolidated year Ended 30 June 2014 \$
Reconciliation to statement of cash flows		
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:		
Cash at bank and in hand	10,957	175,482
Short term deposits	-	57,762
Bank overdrafts (Note 9)	(1,207,362)	(783,832)
	(1,196,405)	(550,588)

6) TRADE AND OTHER RECEIVABLES

	Consolidated Half-year Ended 31 Dec 2014 \$	Consolidated year Ended 30 June 2014 \$
Trade receivables(a)	892,589	7,287,655
Unbilled client disbursements	-	209,022
Prepayments	-	894,158
Other receivables(b)	4,727,471	187,919
	5,620,060	8,578,754

(a) Trade receivables include provision for doubtful debts

(b) Other receivable relate to amounts due from sale of subsidiaries –refer to Note 12.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

7) GOODWILL

	Consolidated At 31 Dec 2014 \$	Consolidated At 30 June 2014 \$
Opening Balance	22,183,651	14,590,139
Acquisition of subsidiary	-	12,493,512
Disposal of subsidiaries	(7,630,430)	-
Discontinued operations	-	(4,900,000)
Impairment	(14,553,221)	-
Closing balance	-	22,183,651

After initial recognition, good will 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. At the 31 December 2014 the group's goodwill was fully impaired.

8) INTANGIBLE ASSETS

a) Reconciliation of carrying amounts at the beginning and end of the period.

	Consolidated 31 Dec 2014 \$	Consolidated 30 Jun 2014 \$
Opening Balance (net of accumulated amortisation)	972,527	666,330
Capitalisation of IT development costs	-	209,158
Acquisition of subsidiary	-	309,230
Amortisation	(100,220)	(212,191)
Impairment and disposal	(225,000)	-
Disposal of Assets	(647,307)	-
Closing balance (net of accumulated amortisation)	-	972,527

b) Description of the Group's identified intangible assets

Intangible assets represent costs associated with the development and design of the Law Central website from 2012 to 2014 financial years. At the 31 December 2014 the group's unamortised Intangibles were fully impaired.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

9) INTEREST BEARING LOANS AND BORROWINGS

	Consolidated Half-year Ended 31 Dec 2014 \$	Consolidated year Ended 30 June 2014 \$
CURRENT		
Bank overdraft (Note 5)	1,207,362	783,832
Obligations under finance leases and hire purchase contracts	38,330	96,500
Insurance premium funding (unsecured)	-	365,905
Bank Loan (secured)(a)	15,300,003	13,599,908
	16,545,695	14,844,525
NON-CURRENT		
Obligations under hire purchase contracts	-	8,310
Bank Loan (secured)(a)	-	-
	-	8,310

(a) Due to the group entering administration on the 17 December 2014 all secured liabilities became due and payable and therefore are classified as current.

The bank loan is secured over the assets of ILH Group Limited and its controlled entities.

10) ISSUED CAPITAL

a) Ordinary shares

	Consolidated 31 Dec 2014 Shares	Consolidated 30 Jun 2014 Shares	Consolidated 31 Dec 2014 \$	Consolidated 30 Jun 2014 \$
Fully Paid Shares	267,320,780	165,702,280	41,415,857	38,678,900
Partly Paid Shares (1)	-	1,509,056	-	183,475
Fortified shares held in trust (2)	-	(54,444)	-	-
	267,320,780	167,156,892	41,415,857	38,862,375

(1) Shares issued under the Deferred Employee Share Plan that vest over three years.

(2) Shares issues but fortified under the Employee Share Plan, held in trust.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

b) Movements in ordinary share capital

CONSOLIDATED	Shares	\$
Opening balance as at 1 July 2014	167,156,892	38,862,375
Issue of shares at 2.55 cents per share being part consideration for the acquisition of Capricorn Investment Partners Limited and The Pentad Group	105,659,529	2,694,318
Issue of shares at 2.55 cents per share being satisfaction of member profit share entitlements	6,385,216	162,823
Issue of shares at 2.55 cents per share being directors remuneration	1,374,980	35,062
Shares approved by shareholders but not issued	(13,255,837)	(338,721)
Balance as at 31 December 2014	267,320,780	41,415,857

11) RESERVES

	Consolidated At 31 Dec 2014 \$	Consolidated At 30 June 2014 \$
Net unrealised gains/(losses) reserve (a)	-	1,610
General reserve	-	2,046,791
	-	2,048,401

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

12) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

On 17 December 2015 the Company was placed into voluntary administration, consequently the Company does not have sufficient information to allow the level of disclosure required for the half year ended 31 December 2014.

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

13) GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

Disposal of Law Central Co Pty Ltd

On 24 December 2014 the Company disposed 100% of the shares of Law Central Co Pty Ltd. The offer was an all in-cash offer of \$1.025 million with completion scheduled for 30 January 2015.

	\$
Sales proceeds	
Deferred cash	1,025,000
	1,025,000
Net Assets disposed	
Current assets	102,482
Non-current assets	762,646
Current liabilities	(35,294)
Non-current liabilities	(19,438)
Net assets disposed	810,396
Profit on disposal of subsidiary (i)	214,604

Disposal of Capricorn Investment Partners Limited

On 24 December 2014 the Company disposed 100% of the shares of Capricorn Investment Partners Limited ("CPL"). The offer was an all in-cash offer of \$3.5 million with completion scheduled for 27 February 2015. All CIPL employees have been transferred in the transaction.

CIPL was originally acquired by the Group on 1 September 2013 has operations in Queensland, New South Wales and Victoria. The business consists of two divisions: Corporate Advisory in Professional Services; and Wealth Management.

	\$
Sales proceeds	
Deferred cash	3,500,000
	3,500,000
Net Assets disposed	
Current assets	699,642
Non-current assets	10,978,559
Current liabilities	(865,574)
Non-current liabilities	(1,831,756)
Net assets	8,980,871
Intercompany loan	(3,420,714)
Net assets disposed	5,560,157
Loss on disposal of subsidiary (ii)	(2,060,157)

The net loss on the disposal of subsidiaries \$1,845,553 is included in other expenses in the statement of profit or loss and other comprehensive income.

(i)(ii) Total Net loss on disposal of subsidiaries was \$1,845,553

ILH Group Limited (subject to deed of Company Arrangement)

Period Ended 31 December 2014

Condensed Notes to the Consolidated Financial Statements

14) INVESTMENT IN AN ASSOCIATE

The Group has a 49% interest in Rockwell Oliver (Melbourne) ("ROM"), a Melbourne based legal practice. The carrying value of the investment has been fully impaired at the 31 December 2014.

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

15) SUBSEQUENT EVENTS

On the 1 April 2015, the Creditors resolved that the Company execute a Deed of Company Arrangement. On the 22 April 2015, the Company, the Deed Administrators and Pager Partners entered in to a DOCA. On the 2 March 2016 the creditors resolved to vary the terms of the DOCA as proposed by Benelong Capital Partners Pty Limited.

ILH Group Limited (subject to deed of Company Arrangement)
Period Ended 31 December 2014
Directors' Declaration

In accordance with a resolution of the current directors of ILH group Limited, I state that:

1. In the opinion of the current directors:

- a) As set out in Note 2, although the Directors have prepared the consolidated financial statements, notes thereto, to the best of their knowledge based on the information made available to them, they are of the opinion that it is not possible to state that the consolidated financial statements, notes thereto, are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the financial position as at 31 December 2014 and performance for the half year ended on that date ; and
 - ii. Complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2, and
- c) Subject to the successful recapitalisation of the Company, 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 half year ended 31 December 2014.

On behalf of the board



Benjamin Harkham

Director



Allan Farrar

Director

Sydney, 31 May 2016

31 May 2016

Board of Directors
ILH Group Limited
c/- Kordamentha
Chifley Tower
Level 5, 2 Chifley Square
Sydney
NSW AUSTRALIA 2000

Dear Sirs

RE: ILH Group Limited (Subject to deed of Company Arrangement)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of ILH Group Limited (Subject to deed of Company Arrangement).

As Audit Director for the review of the financial statements of ILH Group Limited (Subject to deed of Company Arrangement) for the half year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

**QUALIFIED INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ILH GROUP LIMITED (Subject to deed of Company Arrangement)**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ILH Group Limited (Subject to deed of Company Arrangement), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for ILH Group Limited (the consolidated entity) (Subject to deed of Company Arrangement). The consolidated entity comprises both ILH Group Limited (Subject to deed of Company Arrangement) (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of ILH Group Limited (Subject to deed of Company Arrangement) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ILH Group Limited (Subject to deed of Company Arrangement), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of ILH Group Limited (Subject to deed of Company Arrangement) on 31 May 2016.

Basis for Disclaimer of Auditor's Review Conclusion

The company was placed into voluntary administration on 17 December 2014. Consequently, the financial information relating to the period under review was not subject to the same accounting and internal controls processes, which includes the implementation and maintenance of internal controls that are relevant to the preparation and fair presentation of the financial report. Whilst the books and records of the company have been reconstructed to the maximum extent possible, we were unable to satisfy ourselves as to the completeness of the general ledger and financial records as well as the relevant disclosures in the financial report.

As stated in Note 2, the Directors are unable to state that the financial report is in accordance with all the requirements of the *Corporations Act 2001* and the Australian Accounting Standards.

Disclaimer of Auditor's Review Conclusion

Based on our review, which is not an audit, and because of the existence of the limitation on the scope of our work, as described in the Basis for Disclaimer of Auditor's Review Conclusion paragraph noted above, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to, and do not express, a conclusion as to whether the financial report of ILH Group Limited (Subject to deed of Company Arrangement) 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 31 December 2014 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
31 May 2016