Technology Effect Pty Ltd

ABN 43 112 930 515

Financial Report
Year Ended 30 June 2014

Financial Report
Year Ended 30 June 2014

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DIRECTORS REPORT

Your directors present their report on the company for the financial year ended 30 June 2014.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Mr Joseph Pino D'Addio

Mr Scott McKenzie McPherson

Mr Matthew Charles Goggin

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The profit of the company for the financial year after providing for income tax amounted to $1,510,333.

A review of the operations of the company during the financial year and the results of those operations found the company's operations continued in a similar pattern to previous years.

Significant Changes in State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company are Computer System Design, Related Product Sales and Services.

No significant changes in the nature of the company's activity occurred during the financial year.

Events Subsequent to the End of the Reporting Period

The company does not expect to renew the lease on its current business premises when this expires on 28 February 2015. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years

On 1 July 2014 the company declared a fully franked dividend of $1,300,000.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under law of the Commonwealth or of a state or territory.

Dividends

Dividends paid or declared since the start of the financial year are as follows:

- A fully franked dividend of $1,067,730 was declared for payment on 1 July 2013.

Options

No options over issued shared or interests or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors Interest in Shares of the Company or Related Bodies Corporate

The particulars of shares held by directors of the company in the company or related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

Director	Shares
Joseph Pino D'Addio	The following shares are held by Kathy Edwards ATF Jokat Investment Fund: 45,000 Ordinary Shares Fully Paid
Scott McKenzie McPherson	The following shares are held by Scott McPherson ATF The Scott McPherson Family Trust: 45,000 Ordinary Shares Fully Paid
Matthew Charles Goggin	The following shares are held by Matthew and Romily Goggin ATF The Goggin Family Trust: 10,000 Ordinary Shares Fully Paid

Indemnification of Officers

The company paid insurance premiums for key person insurance for the directors of the company during the financial year.

No other indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

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

The company was not a party to any such proceedings during the year.

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Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue	3	26,387,387	24,312,024
Cost of sales	3	(20,866,440)	(19,087,876)
Gross Profit		5,520,947	5,224,148
Other Expenses	4	(3,322,059)	(3,616,633)
Operating Profit		2,198,888	1,607,515
Net Profit before income tax		2,198,888	1,607,515
Income Tax Expense	2	(688,555)	(510,513)
Net Profit after income tax		1,510,333	1,097,002
Other Comprehensive Income			
Items that will not be reclassified subsequently to profit or Loss		-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		1,510,333	1,097,002
Profit attributable to the members of the parent entity		1,510,333	1,097,002
Total Comprehensive Income attributable to the members of the parent entity		1,510,333	1,097,002

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Statement of Financial Position

For the year ended 30 June 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	6	3,078,656	2,407,456
Trade and Other Receivables	7	3,262,568	3,018,775
Other current assets	8	164,466	25,786
Total current assets		6,505,690	5,452,017
Non-current assets			
Property, plant and equipment	9	76,991	139,485
Intangible assets		-	695
Deferred tax assets	12	187,471	188,440
Total non-current assets		264,462	328,620
Total assets		6,770,152	5,780,637
Current liabilities			
Trade and other payables	10	3,563,912	2,892,186
Financial Liabilities	15	572,065	602,083
Employee Provisions	11	469,407	459,807
Tax liabilities	12	300,413	144,351
Other Current liabilities	10	409,034	669,492
Total current liabilities		5,314,831	4,767,919
Non-current liabilities			
Total non-current liabilities		-	-
Total liabilities		5,314,831	4,767,919
Net assets		1,455,321	1,012,718
Equity			
Issued capital	13	2	2
Retained profits		1,455,319	1,012,716
Total Equity		1,455,321	1,012,718

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Statement of Changes in Equity

For the year ended 30 June 2014

	Note	Ordinary Share Capital	Retained Earnings	Attributable to Non-Controlling Interests	Total
		$	$	$	$
Parent Entity					
Balance at 1 July 2012		2	753,774	-	753,776
Comprehensive income					
Profit or loss for the year		-	1,097,002	-	1,097,002
Other comprehensive income for the year:		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income		-	1,097,002	-	1,097,002
Transactions with owners, in their capacity as owners					
Dividends paid or provided for		-	(838,060)	-	(838,060)
Balance at 30 June 2013		2	1,012,716	-	1,012,718
Balance at 1 July 2013		2	1,012,716	-	1,012,718
Comprehensive income					
Profit or loss for the year		-	1,510,333	-	1,510,333
Other comprehensive income for the year:		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income		-	1,510,333	-	1,510,333
Transactions with owners, in their capacity as owners					
Dividends paid or provided for		-	(1,067,730)	-	(1,067,730)
Balance at 30 June 2014		2	1,455,319	-	1,455,321

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Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts		25,901,270	24,515,077
Payments to suppliers and employees		(23,597,095)	(22,873,970)
Interest received		39,966	39,203
Income tax paid		(531,524)	(458,657)
Net cash provided by operating activities	21	1,812,617	1,221,653
Cash flow from investing activities			
Bank Guarantee		(25,000)	-
Payments for property, plant & equipment		(18,669)	(86,370)
Net cash used in investing activities		(43,669)	(86,370)
Cash flows from financing activities			
Loan Funds Received		1,068,199	838,060
Repayment of borrowings		(1,098,217)	(953,845)
Dividends paid		(1,067,730)	(838,060)
Net cash used in investing activities		(1,097,748)	(953,845)
Net increase in cash held		671,200	181,438
Cash and cash equivalents at the beginning of the year		2,407,456	2,226,018
Cash and cash equivalents at the end of the year	6	3,078,656	2,407,456

The financial report includes the financial statements and notes of Technology Effect Pty Ltd.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 04/12/2014 by the directors of the company.

Accounting Policies

a. **Income Tax**

The income tax expense for the year comprises current income tax expense and deferred tax expense/ (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are therefore measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense/ (income) reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/ (income) is charged or credited outside profit or loss when tax relates to items that are recognised outside of profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting taxable profit or loss.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to the period when the asset is realised or the liability it settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets of liabilities are expected to be recovered or settled.

b. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of average costs.

c. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Land and Buildings

Land and buildings are measured on the cost basis and is therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in other comprehensive income; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and the impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1 (e) for details of impairment).

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis or diminishing value basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation is recognised in profit or loss.

Note 1: SUMMARY of Significant Accounting Policies (con't)

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

Class of Fixed Asset	Useful Life
Building Fitout	Revised - See Note 9(a)
Plant and equipment	10 – 66.67%
Computer Software	25 – 33.33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation relating to that asset are transferred to retained earnings.

d. **Leases**

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

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

Leased assets are depreciated on a straight-line basis over their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. **Financial instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are expensed to the statement of comprehensive income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

Note 1: SUMMARY of Significant Accounting Policies (con't)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this can be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

The company's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

The company did not have any loans or receivables past due or impaired during the financial year.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss" event) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include; indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written off amounts are charged to the allowance account or the carrying amount of the impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of the financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. **Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on an asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g. **Employee Benefits**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of the current trade and other payables in the statement of financial position.

Note 1: SUMMARY of Significant Accounting Policies (con't)

h. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

i. **Revenue and Other Income**

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

- Deferred fee income is recognised as amounts that reflect known income that is collectable by the Group over a deferred period of between one and four years.

Interest revenue is recognised on an accrual basis.

All revenue is stated net of the amount of goods and services tax (GST).

j. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

k. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

l. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

m. **Critical Accounting Estimates and Judgements**

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

Note 1: SUMMARY of Significant Accounting Policies (con't)

n. **Key judgements – employee benefits**

For the purpose of measurement, AASB 119: *Employee Benefits* (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the 12-month period that follows, the directors believe that obligations for annual leave entitlements satisfy the definition of other long-term employee benefits and, as a result, are required to be measured at the present value of the expected future payments to be made to employees.

o. **New and Amended Accounting Policies Adopted by the Company**

The Company adopted AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The company has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119 (September 2011)

The company expects that all of its employees would use all of their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, adoption of AASB 119 (September 2011) did not have a material impact on the amounts recognised in respect of the companies employee provisions. Note also that adoption of AASB 119 (September 2011) did not impact the classification of leave entitlements between current and non-current liabilities in the companies' financial statements

New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the compan, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the financial statements.
- AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the company financial statements.

Notes to the Financial Statements

For the year ended 30 June 2014

Note 2: Income Tax Expense

	2014 $	2013 $
(a) The components of tax expense/(benefit) comprise:		
Current tax	689,524	545,005
Deferred tax	(969)	(34,492)
	688,555	510,513

	2014 $	2013 $
(b) The Prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax before income tax at 30% (2013: 30%)	659,666	482,255
Add tax effect of:		
- other non-allowable deductions	28,889	28,258
- other allowable deductions	-	-
Income tax attributable to entity	688,555	510,513
The applicable weighted average effective tax rates are:	31%	32%

The decrease in the weighted average effective tax rate for 2014 is a result of permanent and timing differences.

Note 3: Profit from Ordinary Activities

	2014 $	2013 $
Revenue		
Technology Sales	16,787,303	14,012,723
Managed Services	1,703,549	1,445,530
Professional Services	7,856,569	8,814,568
Other Income	39,966	39,203
Total Revenue	26,387,387	24,312,024
Cost of Sales:		
Technology	13,987,677	11,744,946
Managed Services	1,477,969	1,316,071
Professional Services	5,400,794	6,026,859
Total Cost of Sales	20,866,440	19,087,876

	2014	2013
	$	$

Note 4: Expenses

Expenses:		
Employment Expenses	2,364,048	2,636,947
Business Promotion	163,450	131,555
Audit Fees	20,000	-
Professional Fees	22,634	22,094
Insurances	54,027	40,788
Occupancy Costs	129,887	123,701
Communications	92,162	73,848
Travel & Accommodation	86,969	106,507
Other Expenses	212,625	285,137
Depreciation	62,249	75,696
Loan Interest	114,008	120,360
Total other expenses	3,322,059	3,616,633

Note 5: Auditors' Remuneration

Remuneration of the auditor of the entity is as follows:		
Audit and Review of financials statements - Stantons International	60,000	-
	60,000	-

The above fee includes the audit of 30 June 2014, 30 June 2013 years ended.

Notes to the Financial Statements
For the year ended 30 June 2014

	2014	2013
	$	$
Note 6: Cash and Cash Equivalents		
Cash on Hand	2	2
Security Deposit	200	200
Undepositied Funds	-	22,224
Cash at bank	3,078,454	2,385,030
	3,078,656	2,407,456

Reconciliation of cash
Cash and cash equivalents at the end of the financial year as showing in the statement of cash flows are reconciled to items in the statement of financial position as follows:

	2014	2013
Cash and cash equivalents	3,078,656	2,407,456
	3,078,656	2,407,456

	2014	2013
Note 7: Trade and Other Receivables		
CURRENT		
Trade receivables	3,197,568	3,018,775
	3,197,568	3,018,775
Other:		
Bank Guarantee	25,000	-
Other receivables	40,000	-
Total receivables	3,262,568	3,018,775
Receivables as financial assets	3,262,568	3,018,775

Loans and receivables
The company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as "trade and other receivables".

Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

	2014	2013
Note 8: Other Current Assets		
Prepayments	164,466	25,786
	164,466	25,786

	2014 $	2013 $
Note 9: Property, plant and equipment		
Building Fitout:		
Building Fitout - at cost	141,038	149,421
Less: Accumulated depreciation	(114,531)	(78,347)
Total Buildings	26,507	71,074
Office Furniture & Equipment:		
Office Furniture & Equipment - at cost	92,550	121,551
Less: Accumulated depreciation	(56,647)	(64,745)
	35,903	56,806
Computer Software		
Computer Software - at cost	30,925	26,217
Less: Accumulated depreciation	(16,344)	(14,612)
	14,581	11,605
Total property, plant and equipment	76,991	139,485

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment:

	*Building Fitout: $	Office Furniture & Equipment: $	Computer Software $	Total $
Balance at 1 July 2013	71,074	56,806	11,605	**139,485**
Additions	-	12,220	6,448	**18,668**
Disposals	(4,560)	(13,532)	(821)	**(18,913)**
Depreciation expense	(40,007)	(19,591)	(2,651)	**(62,249)**
Balance at 30 June 2014	**26,507**	**35,903**	**14,581**	**76,991**

*Assets under fixed asset account 'Building Fitout' have been depreciated over the period of the lease term. The written down value as at as at 30 June 2014 reflects the remaining value to be expensed over the unexpired period of the lease.

Notes to the Financial Statements
For the year ended 30 June 2014

	2014 $	2013 $
Note 10: Trade and other payables		
CURRENT		
Trade payables	2,463,533	1,487,120
Other Accruals	22,501	66,007
Provision for FBT	9,102	5,442
GST Payable	121,522	121,024
Accrual for Staff Bonuses	411,450	850,356
Commissions Accrual	349,911	264,660
Superannuation Payable	31,257	-
Audit Fee Accrual	60,000	-
Payroll Tax Payable	68,044	78,120
Wages Contract Accrual	26,592	19,457
Total current trade and other payables	3,563,912	2,892,186

The average credit period on trade payables is 30 days. No interest is payable on outstanding payables during this year.

	2014 $	2013 $
Other Liabilities		
Deferred income	409,034	669,492
Total Other Liabilities	409,034	669,492
Note 11: Provisions		
CURRENT		
Long Service Leave	156,604	134,658
Provision for Annual Leave	312,803	325,149
Total current provisions	469,407	459,807
NON-CURRENT		
Total non-current provisions	-	-

Provisions for employee benefits

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

	2014 $	2013 $
Note 12: Tax		
CURRENT		
Income tax payable	300,413	144,351
Assets		
Deferred Tax Asset	187,471	188,440
Note 13: Issued Capital		
100,000 fully paid ordinary shares (2013: 100,000)	2	2

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital management
Management controls the capital of the company in order to maintain a satisfactory debt to equity ratio and to ensure that the entity can fund its operations and continue as a going concern.

The companies debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The material financial liabilities at the end of the reporting period are trade and other payables, credit cards and loans to related parties.

Management manages the entities capital by assessing the financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and the strategy adopted by management to manage the capital of the company from the previous year.

Note 14: Dividends

Dividends recognised as distribution and paid during the year:

	2014 $	2013 $
Declared fully franked ordinary dividend of $10.6773 (2013: $8.3806) per share franked at the tax rate of 30% (2013: 30%)	1,067,730	838,060
	1,067,730	838,060

On 1 July 2014 the company declared a Fully Franked ordinary dividend of $1,300,000 ($13.00 per share).

	2014	2013
	$	$

Note 15: Borrowings

	2014	2013
Current		
Other - Related Parties	4,335	2,095
Loans - Related Parties	567,730	599,988
Total Borrowings	572,065	602,083

The balance of the related party loans contain the following key terms as set out in the individual loan agreements:

(a) Loans are repayable immediately on demand;

(b) There is no security held over the assets of the company in relation to the loans payable balance;

(c) Interest rates paid on related party loans during the financial year were as follows:
Loan 1 (1st July 2011) - 9.75%
Loan 2 (1st July 2012) - 9.75%
Loan 3 (1st July 2013) - 8.9%

Note 16: Related Parties

	2014	2013
Short-term Key management personnel benefits		
Salary	1,035,326	1,388,090
Superannuation	125,844	124,773
Interest paid	114,007	120,362
	1,275,177	1,633,225

(a) Transactions between related parties are on normal commercial terms and conditions. These terms and conditions are no more favourable than those available to other parties unless otherwise stated.

(b) Transactions between related parties are in accordance with the Articles of Association wherein directors with credit loan balances are entitled to receive interest payments from the entity in accordance with the value borrowings owing to shareholders

(c) Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.
Apart from directors there are no other key management personnel.

(d) At the 30 June 2014 the company had loans with the following related parties:

	2014	2013
(i) McPherson Family Trust	255,478	269,995
(ii) Jokat Investment Trust	255,478	269,995
(iii) Goggin Family Trust	56,819	56,773

The trusts are controlled by the directors of the company. Refer to Note 15 for terms of the loans

(e) the amount owing to directors at year end for unpaid bonus, commission:

	2014	2013
Joe D'Addio	40,000	189,386
Scott McPherson	40,000	189,386
Matthew Goggin	219,158	206,404

	Note	2014 $	2013 $

Note 17: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, short-term investments, shareholder loans, accounts receivable and payable.
The carrying amount for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2014 $	2013 $
Financial assets			
Cash and cash equivalents	6	3,078,656	2,407,456
Trade and other receivables	7	3,262,568	3,018,775
Total financial assets		6,341,224	5,426,231
Financial liabilities			
Trade and other payables	10	3,563,912	2,892,186
Financial Liabilities	15	572,065	602,083
Total financial liabilities		4,135,976	3,494,269

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group is not currently exposed to any significant liquidity risk on the basis that the realisable value of financial assets is significantly greater than the financial liabilities due for settlement. The Group manages its liquidity risk through the following mechanisms:
- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. The companies objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount net of any provision for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The company has no significant concentrations of credit risk with any single counterparty or group of counterparties. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 7.

All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

	2014	2013
	$	$

Note 18: Capital and Leasing Commitments

The property lease is a non-cancellable lease with terms finishing on 28 February 2015. No options exist to renew the leases at the end of the term. Leases also allow for subletting of lease areas.

Note 19: Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at the end of the reporting year.

Note 20: Tax Balances

	2014 $	2013 $
Current liabilities		
Income tax payable	300,143	144,351
Non-current assets		
Deferred tax assets	187,471	188,440
Non-current liabilities		
Deferred tax liabilities	-	-

	Balance as at 30 June 2014	(Charged)/ Credited to Income	(Charged)/ Credited to Equity	Balance as at 30 June 2013	(Charged)/ Credited to Income	(Charged)/ Credited to Equity	Balance as at 1 July 2012
Deferred tax assets	$	$	$	$	$	$	$
Carried forward tax losses	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Reviewed depreciation for tax purposes	1,025	(18,117)	-	19,142	(9,222)	-	9,920
Annual leave, other accruals and provisions for doubtful debts	186,446	17,148	-	169,298	(25,270)	-	144,028
	187,471	(969)	-	188,440	(34,492)	-	153,948
Deferred tax liabilities							
Accelerated depreciation for tax purposes	-	-	-	-	-	-	-
Revaluations of available-for-sale investments	-	-	-	-	-	-	-
Other taxable temporary differences	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Net amount	187,471	(969)	-	188,440	(34,492)	-	153,948

The amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been brought to account:
- temporary differences $Nil (2013: $Nil)
- tax losses: operating losses $Nil (2013: $Nil)

The benefits of the above temporary differences will be realised when the conditions for deductibility set out in Note 1(a) occur. These amounts have no expiry date.

Notes to the Financial Statements

For the year ended 30 June 2014

	2014 $	2013 $
Note 21: Cash Flow Information		
Reconciliation of cash flow from operations with profit		
Profit (after income tax) for the year	1,510,333	1,097,002
Non-cash items included in profit or loss:		
Depreciation and amortisation expense	62,249	75,696
Net losses on disposal of property, plant and equipment	18,913	1,215
	1,591,495	1,173,913
Net changes in working capital:		
(Increase)/decrease in trade and other receivables	(218,793)	(250,956)
(Increase)/decrease in other assets	(138,679)	(6,543)
(Increase)/decrease in intangible assets	695	1,234
(Increase)/decrease in deferred tax assets	969	(34,491)
Increase/(decrease) in trade and other payables	671,726	(386,367)
Increase/(decrease) in deferred revenue	(260,458)	519,578
Increase/(decrease) in provisions	9,600	118,937
Increase/(decrease) in current tax liabilities	156,062	86,348
Increase/(decrease) in deferred tax liabilities	-	-
Total cash flows from changes in assets and liabilities	221,122	47,740
Net cash provided by operating activities	1,812,617	1,221,653

Note 22: Events after the Reporting Period

Other than the following the directors are not aware of any significant events since the end of the reporting period.

The company does not expect to renew the lease on its current business premises when this expires on 28 February 2015.

On the 1 July 2014 the company declared a fully franked dividend of $1,300,000.

Note 23: Company Details

The registered office of the company is:

Technology Effect Pty Ltd

Level 15, 66 Eagle Street
Brisbane QLD 4000

The principal place of business is:

Unit 92 166 Wickham Terrace
SPRING HILL QLD 4000

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Technology Effect Pty Ltd, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 1 to 24, are in accordance with the *Corporations Act 2001* and:
    a. Comply with Accounting Standards – Reduced Disclosure Requirements; and
    b. give a true and fair view of the financial position as at 30 June 2014 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Technology Effect Pty Ltd will be able to pay its debts as and when they become due and payable.

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

Director.. Joseph D'Addio

Director .... Scott McPherson

Director .... Matthew Goggin

Dated this 04 day of December 2014

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNOLOGY EFFECT PTY LTD

Report on the Financial Report

We have audited the accompanying financial report of Technology Effect Pty Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and 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 Company.

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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of Technology Effect Pty Ltd is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Company'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.

(b) the financial report also complies with Australian Reporting Standards as disclosed in note 1.

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
4 December 2014