# Appendix 4E and Annual Report

Legend Corporation Limited

ACN 69 102 631 087

Results for Announcement to the Market

Final Report to the Australian Securities Exchange

and Annual Report including Audited Financial Statements

For the Year Ended 30 June 2014

LEGEND CORPORATION

# Contents

## Highlights

- NPAT of $6.7 million or 3.1 cents per share (cps).
- Operating cash flow increased to $9.8 million (up 47% prior corresponding period (pcp)).
- Net bank debt reduced to $13.1 million or 1 times EBITDA (down 18% pcp).
- Gross profit margins improved 1% to 44% in the second half of the year.
- Net assets of 29.1 cps (up 4% pcp).

## Results For Announcement To The Market

Previous corresponding period 30 June 2013

| | | | | $000 |
|---|---|---|---|---|
| Revenue from ordinary activities | Down | 3.0% | to | 102,177 |
| Profit from ordinary activities after tax attributable to members | Down | 0.2% | to | 6,694 |
| Net profit for the period attributable to members | Down | 0.2% | to | 6,694 |

| | | | | |
|---|---|---|---|---|
| Earnings per share | Down | 0.2% | to | 3.1 cents |

## Dividends

| | Amount per security | Franked amount per security at 30% tax |
|---|---|---|
| Interim dividend (fully franked) | 0.75 cents | 0.75 cents |
| Final dividend (fully franked) | 1.0 cents | 1.0 cents |

None of these dividends are foreign sourced.

| | |
|---|---|
| Final dividend details | |
| Record date to determine entitlement to the dividend | 26 September 2014 |
| Payment date for final dividend | 24 October 2014 |
| Total dividend payable | $2,195,000 |
| A dividend reinvestment plan is not in operation. | |

## Net Tangible Asset Backing

| | Current period | Previous corresponding period |
|---|---|---|
| Net tangible asset backing per ordinary share | 9.0 cents | 7.7 cents |

| Financial Summary | 30 June 2014 $000 | 30 June 2013 $000 | Change |
|---|---|---|---|
| **Income** | | | |
| Sales revenue | 102,094 | 105,206 | (3.0%) |
| Cost of goods sold | (57,606) | (57,774) | (0.3%) |
| Gross profit | 44,488 | 47,432 | (6.2%) |
| *Gross profit margin* | *43.6%* | *45.1%* | |
| EBITDA | 13,155 | 13,815 | (4.8%) |
| *EBITDA margin* | *12.9%* | *13.1%* | |
| EBIT | 10,770 | 10,749 | 0.2% |
| *EBIT margin* | *10.5%* | *10.2%* | |
| NPBT | 9,652 | 9,515 | 1.4% |
| *NPBT margin* | *9.5%* | *9.0%* | |
| NPAT | 6,694 | 6,707 | (0.2%) |
| *NPAT margin* | *6.6%* | *6.4%* | |
| Earnings per share | 3.1 cents | 3.1 cents | (0.2%) |
| Dividends paid | 1.85 cents | 1.7 cents | 8.8% |
| Dividends announced | 1.0 cents | 1.1 cents | (10%) |
| **Cash Flow** | | | |
| Operating cash flow | 9,753 | 6,641 | 46.9% |
| **Financial Position** | | | |
| Net assets | 63,977 | 61,242 | 4.5% |
| Net debt | (13,063) | (15,868) | (17.7%) |

| Reconciliation of Profit | 30 June 2014 $000 | 30 June 2013 $000 |
|---|---|---|
| NPAT | 6,694 | 6,707 |
| Income Tax Expense | 2,958 | 2,808 |
| NPBT | 9,652 | 9,515 |
| Interest Revenue | (83) | (88) |
| Interest Expense | 1,201 | 1,322 |
| EBIT | 10,770 | 10,749 |
| Depreciation and Amortisation Expense | 2,385 | 3,066 |
| EBITDA | 13,155 | 13,815 |

# Annual Report

2014

LEGEND
CORPORATION

# Corporate Directory

## Directors

Bruce E Higgins
Bradley R Dowe
Ian L Fraser

## Company Secretary

Graham A Seppelt

## Registered Office

1 Butler Drive, Hendon
South Australia 5014
Phone: 08 8401 9888
Fax: 08 8244 9520
www.legendcorporate.com

## Solicitors

Minter Ellison Lawyers
Rialto Towers
525 Collins Street
Melbourne
Victoria 3000
Phone: 03 8608 2000
Fax: 03 8608 1000

## Share Registry

Security Transfer
Registrars Pty Ltd
Suite 1 / 770
Canning Highway
Applecross
Western Australia 6153
Phone: 08 9315 2333
Fax: 08 9315 2233

## Bankers

Australian and New Zealand
Banking Group Limited
Level 21, 11 Waymouth Steet
Adelaide, South Australia 5000

## Auditors

Grant Thornton Audit Pty Ltd
383 Kent Street
Sydney
New South Wales 2000
Phone: 02 8297 2400
Fax: 02 9299 4445

## Australian Securities Exchange

Australian Securities
Exchange Limited
2 The Esplanade
Perth
Western Australia 6000
Phone: 08 9224 0000

# Contents

# Chairman's Report

Dear Shareholders,

On behalf of the Directors I am pleased to announce the results for Legend to 30 June 2014.

Our company, relative to our peers and industry sector, performed well with Net Profit After Tax (NPAT) at the same level as last year of $6.7 million. Our business operated in a flat market environment with lower than expected client demand.

We achieved revenue of $102.1 million in sales, a decline of 3%, with gross profit of 44% similar to last year (2013: 45%).

Operating expenses decreased 7% over the prior corresponding period, largely as a result of a decreased in employee expenses and bad debts. Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) were down 5% to $13.2 million at a margin of 13%.

Net Profit After Tax (NPAT) was $6.7 million or 3.1 cents per share. This was equal to last year's reported profit. Our outlook in the coming year is for an improvement in these results.

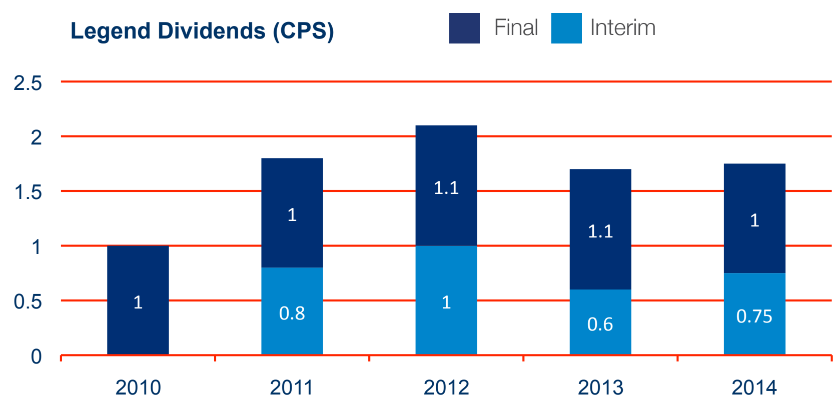
Operating cash flow for the year was $9.8 million compared to $6.6 million for the prior year, an improvement of 47%. Tax installments for the year were $2.9 million compared to $3.4 million for 2013. The company has a large balance of unused franking credits of $17.2 million and during the coming year the Directors will be reviewing how this balance can deliver value to shareholders.

The company balance sheet is in a strong position with total net assets (total assets less total liabilities) of $64.0 million or 29.1 cents per share.

- Our bank bill facilities have been changed to a more efficient facility structure and migrated to the Australian and New Zealand Banking Group Limited and now extend to 23 June 2017.
- Net bank debt decreased to $13.1 million from $15.9 million and is 1 times EBITDA.
- Net debt to shareholder funds has decreased from 26% to 20%, remaining at conservative levels. Interest coverage is 9 times, up marginally from 8 times reflecting decreased debt.

## Dividend

In April 2014 the company paid an interim dividend of 0.75 cent per share. I am pleased to advise that the full year dividend will be 1.0 cents per share payable on 24 October 2014.




## Operations

The group operations are reported in two distinct segments **Electrical, Power and Infrastructure** and **Innovative Electrical Solutions.**

**Electrical, Power and Infrastructure** business comprises a large distribution business to over 1,800 electrical wholesale stores throughout Australia who supply electricians and electrical installation specialists. We also specialise in sales to power utility companies and infrastructure projects with leading certified CABAC branded electrical connectivity products, cables, tools, test and measurement instruments, data and computer room products.

**Innovative Electrical Solutions** designs and manufactures new and innovative electrical switching products, medical device components and industrial electronic components and tooling to meet both direct customer needs and for sale through our Electrical, Power and Infrastructure division. Our significant in house expertise in the design of integrated circuits, power switching and temperature management to precise specifications provide best-in-class products for our clients.

These segments and businesses share sales and operational resources to the maximum extent possible. Further details of the operations and the performance of these segments are set out in the Chief Executives Officer's report and in Note 25: Operating Segments of the annual report.

During the year deferred payments totaling $1.8 million were made for the MSS Power and Ecco Pacific acquisitions detailed in the last annual report. Our return on invested capital on acquisitions for the year was 8%.

## Our Growth Strategy

We have not delivered on our growth strategy in the 2014 financial year where our revenue declined by 3%. Although many of our peers are also not achieving growth we have higher expectations of Legend's performance. We continue to believe that our strategy to grow organically our existing businesses with development of complimentary technology products providing higher margins combined with synergistic acquisitions of companies where we can cross sell our products and target related market sectors offering long term growth is the right path. As an example I am excited by the development of our wide range of dimmer switches and timer products that now has 11 products in the range that can be both retrofitted and supplied to new homes and offices for standard wall plate switches.

Our strategy has included the expansion of our business with MSS Fibre Group, a leader in the supply and engineering of Fibre optic solutions, systems and products and also MSS Power Systems a specialist tooling company servicing power utilities, Telco utilities and related service providers.

In 2012 Legend acquired selected business assets including stock and goodwill of Ecco Pacific Limited in Australia and New Zealand for integration within the Electrical, Power and Infrastructure segment. In a separate transaction the Group acquired Spectron (NZ) Limited and this acquisition has significantly enhanced our sales and distribution capabilities and has allowed the company to also integrate the New Zealand based assets of Ecco Pacific Limited with our sales of CABAC products for this market.

All of these acquisitions have proven to be earnings accretive for the Group.

Our core growth program also continues to focus on our existing businesses which also have opportunities for growth, especially as the business conditions improve within Australia.

## Corporate Governance and Board Performance

The Board of Legend is committed to achieving and demonstrating standards of corporate governance that are best practice and compliant with the Australian Securities Exchange regulations and principles of good corporate governance. Our goal is to ensure that we protect the rights and interests of shareholders and ensure the company is properly managed through the implementation of sound strategies and action plans. We achieve this through the management team of our company and supervising an integrated framework of controls over the company's resources to ensure our commitment to high standards of ethical behaviour.

Our Remuneration Report is enclosed which outlines the Group's remuneration policies, board performance and the senior executive remuneration policies and compensation. We have continued to report against the gender reporting requirements mandated by the Australian Securities Exchange. The Company has 36% female staff. Shareholders should be confident that the board and management are focused on flexible and talented teams that can deliver performance.

## Outlook

Our strategy to position the Legend business into product sectors where we anticipate growth, such as in energy efficiency related products and also broader strategies within growth areas of the Australian economy where we can leverage our inventory, marketing and supply channels, technology and quality of products. We continue to be optimistic that the investment in businesses and products that we have made over the past few years will deliver growth. Our outlook for the year ahead is for improved financial results over those reported this year.

On behalf of the Directors I wish to thank Bradley Dowe, his senior management team and all employees, for their commitment and customer service focus across all segments during the year. I also thank our customers and shareholders for their continuing support for Legend Corporation.

Yours Sincerely

Bruce E Higgins
Chairman
Legend Corporation Limited

22 August 2014

# Chief Executive Officer's Report

Dear Shareholders,

Net Profit after Tax (NPAT) was unchanged from the prior year at $6.7 million or 3.1 cents per share. Dividends paid during the year were 1.85 cents per share, up 9% on the prior corresponding period (pcp) of 1.7 cents per share.

In the first half of the financial year the strategies we had implemented to address the downturn in mining related engineering construction, including cost reduction, new product releases and marketing initiatives resulted in increased revenues (+2% pcp) and increased NPAT (+9% pcp).

However the second half of the financial year saw us give back these gains as the continued decline in mining related engineering construction was augmented by the failure of several major contractors resulting in a slowdown in sales as activity was deferred (revenues -8% pcp). This had an adverse impact on NPAT (-8% pcp).

During the year all business divisions operated profitably, no significant bad debts were incurred and there was no significant impact from foreign exchange movements. Operating costs were reduced by $2.3 million (-7% pcp). Strong operating cash flow of $9.8 million (+47% pcp) saw net debt significantly reduced (-18% pcp) to $13.1 million - a very modest 1 x EBITDA.

Our business strategies have been effective in combating the declines in specific market and sales geographies, a positive reflection on the diversity of our markets and the strength of our capabilities. However we have not delivered any underlying growth in revenue for the year.

We are confident that the business is well placed to benefit from the strong growth in residential and infrastructure construction despite the expected challenges of a continuing decline in engineering construction. We are positioning the business to take advantage of these developing opportunities through both accretive acquisition and organic growth.

**Financial Highlights**

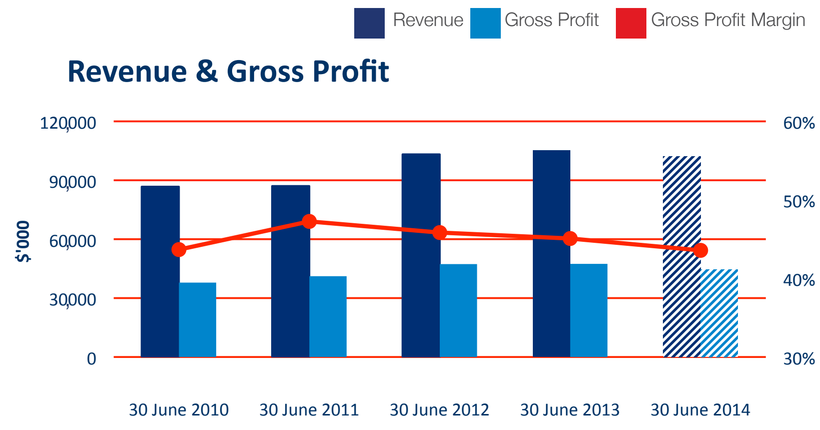
- NPAT of $6.7 million or 3.1 cps.
- Operating cash flow increased to $9.8 million (+ 47% pcp)
- Net bank debt reduced to $13.1 million or 1 times EBITDA (- 18% pcp)
- Gross profit margins improved 1% to 44% in the second half of the year.
- Net assets of 29.1 cps (+ 4% pcp)

## Financial Summary

| | 30 JUNE 2014 | 30 JUNE 2013 | CHANGE |
|---|---|---|---|
| Sales Revenue | $102.1m | $105.2m | (3.0%) |
| Cost of Goods Sold | $57.6m | $57.8m | 0.3% |
| Gross Profit<br>Gross Profit Margin | $44.5m<br>43.6% | $47.4m<br>45.1% | (6.2%) |
| EBITDA<br>EBITDA Margin | $13.2m<br>12.9% | $13.8m<br>13.1% | (4.8%) |
| EBIT<br>EBIT Margin | $10.8m<br>10.6% | $10.7m<br>10.2% | 0.2% |
| NPBT<br>NPBT Margin | $9.7m<br>9.5% | $9.5m<br>9.0% | 1.4% |
| NPAT<br>NPAT Margin | $6.7m<br>6.6% | $6.7m<br>6.4% | (0.2%) |
| Earnings per share | $0.031 | $0.031 | (0.2%) |
| Net Assets | $64.0m | $61.2m | 4.5% |
| Net Assets per share | $0.291 | $0.279 | 4.3% |
| Net Bank Debt | ($13.1m) | ($15.9m) | 17.7% |
| Operating Cash Flow | $9.8m | $6.6m | 46.9% |
| Operating Cash Flow pre-tax | $12.6m | $10.0m | 25.8% |

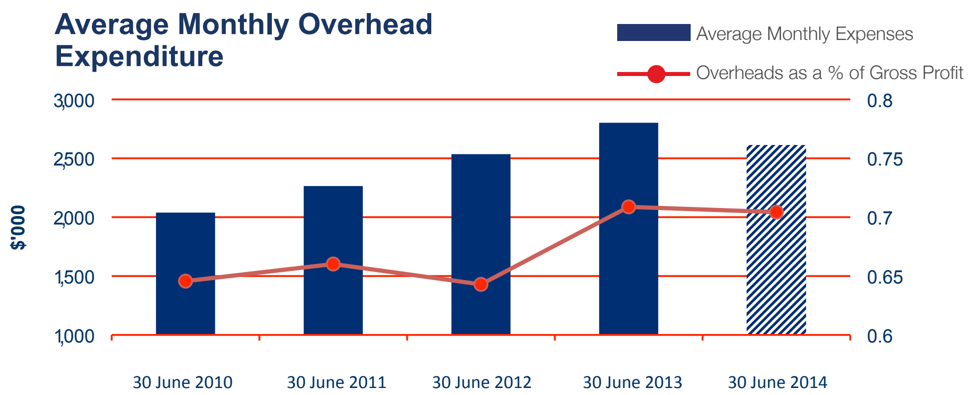
# Chief Executive Officer's Report

## Financial Highlights



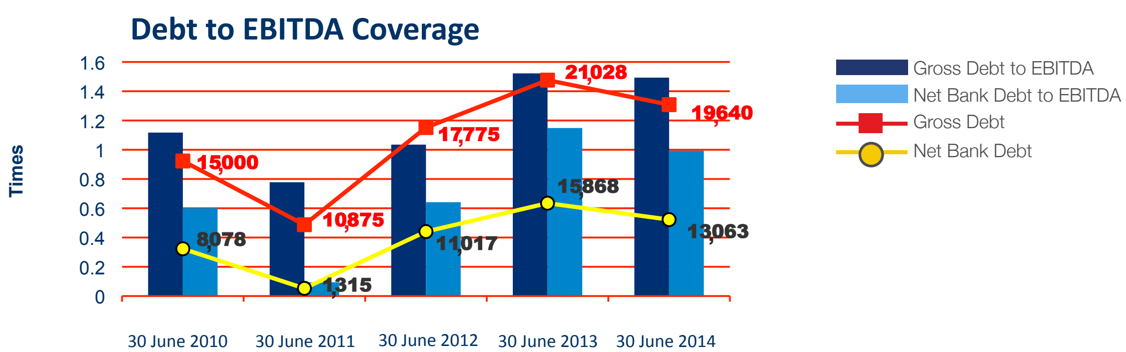

Sales revenue for the period was $102.1 million, down 3% on the prior year (2013: $105.2 million) largely due to the continued decline in mining related engineering construction.

Gross profit of $44.5 million was 6.1% down on the prior year (2013: $47.4 million) a result primarily of reduced revenues. Gross profit margin was softer at 43.6% (2013: 45.1%), however this improved from 43.1% in the first half of the year to 44.0% in the second half as a result of the introduction of new higher margin product lines and price management.




A significant reduction in overhead expenditure of $2.3 million to $31.3 million (2013: $33.6 million) was achieved.

New products with higher margins and price management combined to increase the gross profit percentage by 1% in the second half of the year and despite a full year reduction of 6.1% in gross profit, we have been successful in containing overhead as a portion of gross profit to 70%.

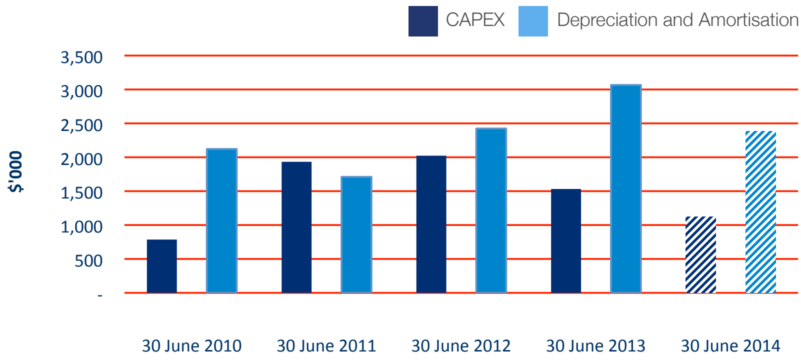



Net debt decreased to $13.1 million at year end (2013: $15.9 million), a modest 1 times EBITDA.

$1.8 million in debt was drawn down during the year to fund the deferred consideration for the acquisitions of MSS Power Systems Pty Ltd and Ecco Pacific Limited.

Banking facilities were moved from National Australia Bank to Australian and New Zealand Banking Group Limited on 23 June 2014. These new facilities do not require renegotiation until June 2017 and offer improved capacity and local resources for further organic and acquisitive growth.

## CAPEX & Depreciation and Amortisation

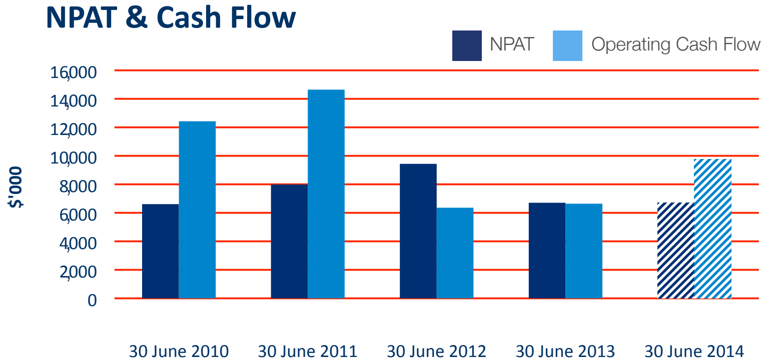



With the expansion of Victorian warehousing facilities, to meet increased local demand, being the only major capital work during the year, CAPEX requirements were lower at $1.1 million (2013: $1.5 million).

Depreciation and amortisation for the year included $455,000 (2013: $525,000) in amortisation of intangible assets generated through the MSS and Ecco acquisitions, including intellectual property, customer lists and restraint of trade agreements.

Depreciation charges were down $611,000 on the prior year due largely to last year including $377,000 of additional depreciation for leasehold improvements as a result of the relocation and consolidation of the Western Australian operations.

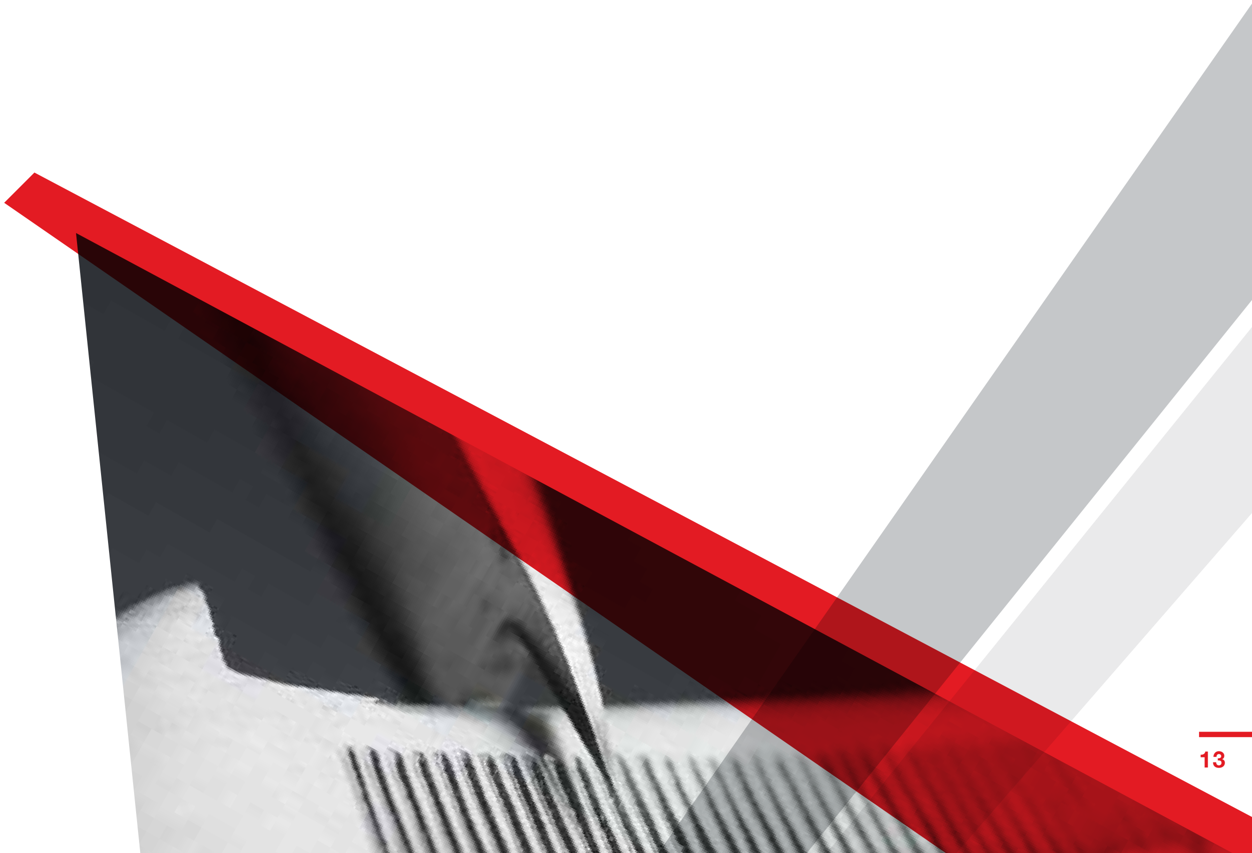
## NPAT & Cash Flow




As a result of difficult market conditions and consequent revenue reductions, stock increased from $22.3 million to $23.9 million. Stock days increased to 158 (2013: 140 days) and the reduction of this is a key objective of management in the coming year.

Pre-tax operating cash flow improved by 26% to $12.6 million (2013: $10.0 million) as a result of a reduction in debtor days to 53 (2013: 56 days), creditor days at 56 did not significantly change (2013: 57 days).

Tax paid for the year was $2.9 million (2013: $3.4 million).



## Acquisitions

Management devotes significant effort and resource to the selection and appropriate engagement of acquisitions aligned with our strategic requirements that will add accretive and long term value to our business.

During the 2014 financial year no acquisitions were made, but we did make payments of $1.1 million as the finial deferred payment for MSS Power and $0.7 million as the first of two deferred payments for Ecco Pacific.

## Overview by Segment

**Electrical, Power and Infrastructure**

This division's earnings in the past have been closely tied to residential, industrial and commercial building approvals. These markets have remained subdued since the global financial crisis of 2008. Our strategy has been to take the engineering capabilities from this segment into high growth markets and we have seen strong returns from mining and power related engineering construction.

With the downturn in mining related engineering construction during the period under review and, despite the introduction of new product ranges and market initiatives, revenue for this segment fell by 3% to $92.3 million (2013: $94.9 million).

EBITDA was down 12% to $9.1 million (2013: $10.4 million), primarily as a result of reduced revenue.

Price management and strategies to take advantage of the opportunities that will arise from increased residential and infrastructure construction is the primary focus for this segment.

**Innovative Electrical Solutions**

New products developed within this segment have been the key contributors to a revenue increase of 9%. Improved export sales and cost control together with improved margins, a result of product development and exchange rates, all contributed to strong growth in EBITDA of more than 18%.

The development of new products remains the key focus of this segment with a number already released to market through existing sales channels. Further product launches will be made in the coming year.

## Product Development

We continue to invest in the design and development of products targeting growth areas of the Australian economy with the aim of delivering continued positive results for our shareholders.

We have focused our product development on energy efficient and energy saving products for lighting, switching and power management. These will be sold through both our electrical and power divisions.

In addition; we are expanding our range of specialized power linesmen tools, jointing products (complimentary to our core range of lugs) and application specific heavy duty electrical connectors specific to power utilities.

## People Talent, Workplace Environment and Safety

We recognise that our people are our most important asset. Securing and retaining the very best people is critical to both the maintenance and growth of our business.

All recruitment within Legend Corporation is advertised internally prior to being advertised externally in an attempt to offer our employees further career advancement. This has been successful in areas such as Internal Sales, Warehousing, Manufacturing and Administration

Training and development of our team members is encouraged to ensure that succession planning is provided for and that the knowledge learned is distributed within the organisation.

Training currently undertaken includes:

- M.B.A.
- WHS (Workplace Health and Safety)
- First Aid
- Fire & Emergency procedures
- Marketing Degree
- Warehouse and Storage III
- Materials handling training
- Dangerous Goods training
- Bullying and harassment training
- NATA training
- Engineering apprenticeship.

Flexible working options are made available to all staff where possible, including the following;

- Return from Parental Leave and other changes to working hours to suit family needs.
- Full Time to Part time transitional employment.
- Flexible working hours

Legend Corporation offers onsite high quality childcare facilities in New South Wales and South Australia, these facilities are offered to employees with children under school age at no cost.

Free gym membership is offered to all employees, to aid in improving general fitness and health.

## Health and Safety

The Health and Safety of our team members is a key priority within our business. Management is committed to continual improvement of health and safety through the implementation of training, safety systems, monitoring and improvement across all our workplaces.

The Group has a low rate of lost time through injury. A total of 7 injuries were reported for the year with an average lost time injury frequency rate of 8.4 against a national warehouse/storage industry average of 12.6 which we use as a benchmark. The achievement of no lost time injuries continues to be the Company's objective.

## Environment

Legend is committed to developing processes and systems that seek to minimize any adverse environmental impacts.

In addition to being a signatory to the Australian Packaging Covenant, Legend is also implementing a 6P Environmental program with a view to achieving ISO14001 Environmental Management Systems Certification. ISO14001 is the internationally recognised and independently audited standard for the management control and continuous improvement of an organisation's environmental performance. We expect to achieve this in the 2015 financial year.

| | 2014 PERCENTAGE OF EMPLOYMENT | | 2013 PERCENTAGE OF EMPLOYMENT | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Board | 0 | 100 | 0 | 100 |
| Management, Finance, Administration | 40 | 60 | 47 | 53 |
| Other | 33 | 67 | 36 | 64 |
| Total | 36 | 64 | 39 | 61 |

## Gender Diversity

Legend supports gender diversity within the workforce. Whilst the company continues to be successfully overseen by only three directors who provide a skill set which is appropriate for the company's needs, in the balance of the company there is significant involvement of both female and male employees at each level of operations.

The current gender balance in Legend Australia remains close to 40% (2013: 39%) as per the table.

## Outlook and Business Strategies

Our core strategy is to maintain and extend our leadership remains; quality, range, availability and service.

We will continue our focus on business development expanding our product range and channels to market in order to meet customer needs in the years ahead.

We will continue to invest in strengthening our expanded market reach and continue to deliver new service initiatives. Each of our businesses has a specific plan to deal with the challenges we see ahead and to deliver growth.

Our markets have been challenging in the last two years due to the previously mentioned decline in Australian engineering construction. We have successfully dealt with what has been a declining market by expanding our product range and basic sales value drivers including stock availability, client contact and other market initiatives.

A lower Australian dollar is a benefit to some of our businesses, but in others it will lead to an increase in the cost of goods. While all of our competitors are subject to the same issues, managing the price increases necessary to successfully respond to a falling dollar presents a considerable challenge that we are carefully negotiating.

We believe the Company is well positioned within the markets we serve. The forecast growth in residential construction, combined with similar growth projections in infrastructure construction, suggests that future market conditions will improve.

Our strong balance sheet, low net debt and prudent financial management will allow a continued focus on organic and acquisitive growth.

I would like to extend my thanks to our client business partners, suppliers, shareholders and board members.

I make particular mention of the value, commitment and passion that our team members across all our business bring to their work.  It is our people that underpin the successful outcomes of our business and I take this opportunity to thank each of them for their commitment across this challenging year.

Yours Sincerely

Brad Dowe

Chief Executive Officer & Managing Director

Legend Corporation Limited

22 August 2014

# Corporate Governance Statement

The Board of Legend Corporation Limited (Legend) seeks to practice the highest ethical and commercial standards while executing its responsibilities in directing the business and affairs of the Company on behalf of its shareholders.

The Board of Legend has considered the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council (ASXCGC) in its 2nd edition of the Principles and Recommendations with 2010 Amendments. ASX Listing Rule 4.10.3 requires the Company to disclose the extent to which it follows or diverges from these best practice recommendations in its Annual Report.

This report discloses corporate governance practices Directors would like to highlight to stakeholders.

Additional information relating to corporate governance practices that the company has adopted can be found on the company's web site: www.legendcorporate.com.

**The Role of the Board & Management**

The company has formalised and disclosed the roles and responsibilities of the board and those delegated to senior management.

The Board of the company is responsible for the overall corporate governance of the Legend Group, including its ethical behavior, strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising company performance and maximising shareholder value.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the company, in accordance with the delegated authority of the Board.

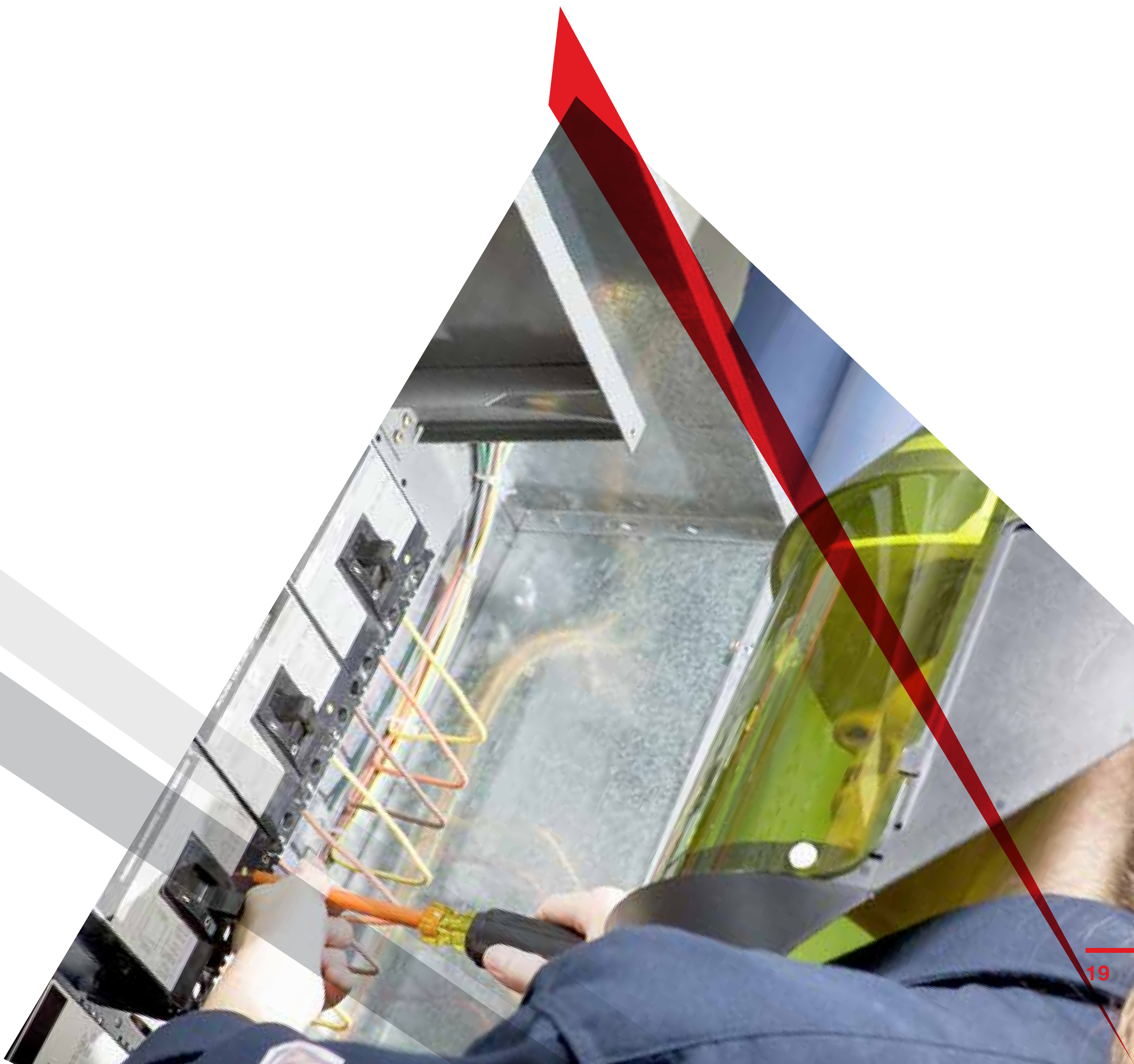
Full details of the matters reserved to the board and to senior management are available on the company's web site at www.legendcorporate.com.

Scheduled meetings of the Board are held at least eight times a year and the Board meets on other occasions to deal with matters that require attention between scheduled meetings. The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Chief Executive Officer.

The Board is responsible for:

- Setting the strategic direction of the company and establishing goals to ensure these strategic objectives are met;
- Appointing the Chief Executive Officer, setting objectives for the Chief Executive Officer and reviewing performance against those objectives, ensuring appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- Monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the company's auditors;
- Ensuring that risks facing the company and its controlled entities have been identified ensuring that appropriate and adequate controls, monitoring and reporting mechanisms are in place;
- Receiving detailed briefings from senior management on a regular basis during the year;
- Approving the Boards of Directors of subsidiary companies; and
- Ensuring the company complies with the law and conforms to the highest standards of financial and ethical behavior.

Legend has obligations to its stakeholders to ensure the company is managed with appropriate due diligence and that all necessary processes are implemented to minimise risk and maximise business opportunities.



To this end, all commercial arrangements, capital expenditure, operational expenditure and other commitments are appropriately documented and have been authorised by either the Chief Executive Officer or the board as appropriate.

The composition of the Board is determined in accordance with the Company's constitution and the following principles and guidelines:

- The Board should comprise of at least three Directors with at least two Non-Executive Directors;
- The Board should comprise of Directors with an appropriate range of qualifications and expertise; and
- The Board should meet formally at least eight times per annum and informally on an as required basis with all Directors being made aware of, and having available, all necessary information, to participate in an informed discussion of all agenda items.

**Directors in Office**

At the date of this statement the following directors are considered independent by the Board:

| NAME | POSITION | INDEPENDENT |
|---|---|---|
| Bruce Higgins | Chairman & Non-Executive Director | Yes |
| Bradley Dowe | Chief Executive Officer | No |
| Ian Fraser | Non-Executive Director | Yes |

The skills, experience, expertise and tenure of each director are disclosed in the Directors' Report within this Annual Report.

**Director Independence**

The board considers two of Legend's directors as independent under the guidelines; that is Chairman Bruce Higgins and non-executive director Ian Fraser.

In assessing the independence of directors, the board follows the ASX guidelines as set out:

An independent director is a non-executive director (ie is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the company or another group member other than as a director of the company;
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Mr Dowe is not considered to be independent because he is both an executive director and a substantial shareholder in the company.

Through the Nominations Committee, directors have considered the balance of skills and experience required of board members for the size and state of development of Legend. The board believes that it has the right numbers and skill sets within its board members for the current size of the company and is confident that each non-executive director brings independent judgement to bear on board decisions. If additional skill sets are considered to be necessary, the board seeks candidates from the wider market and chooses the most appropriate person for the role required.

**Chairman and Chief Executive Officer**

The ASXCGC Recommendations recommend that the chairperson be independent. Mr Bruce Higgins is considered independent by the board under the guidelines as set out.

The roles of chairman and Chief Executive Officer are not exercised by the same individual.

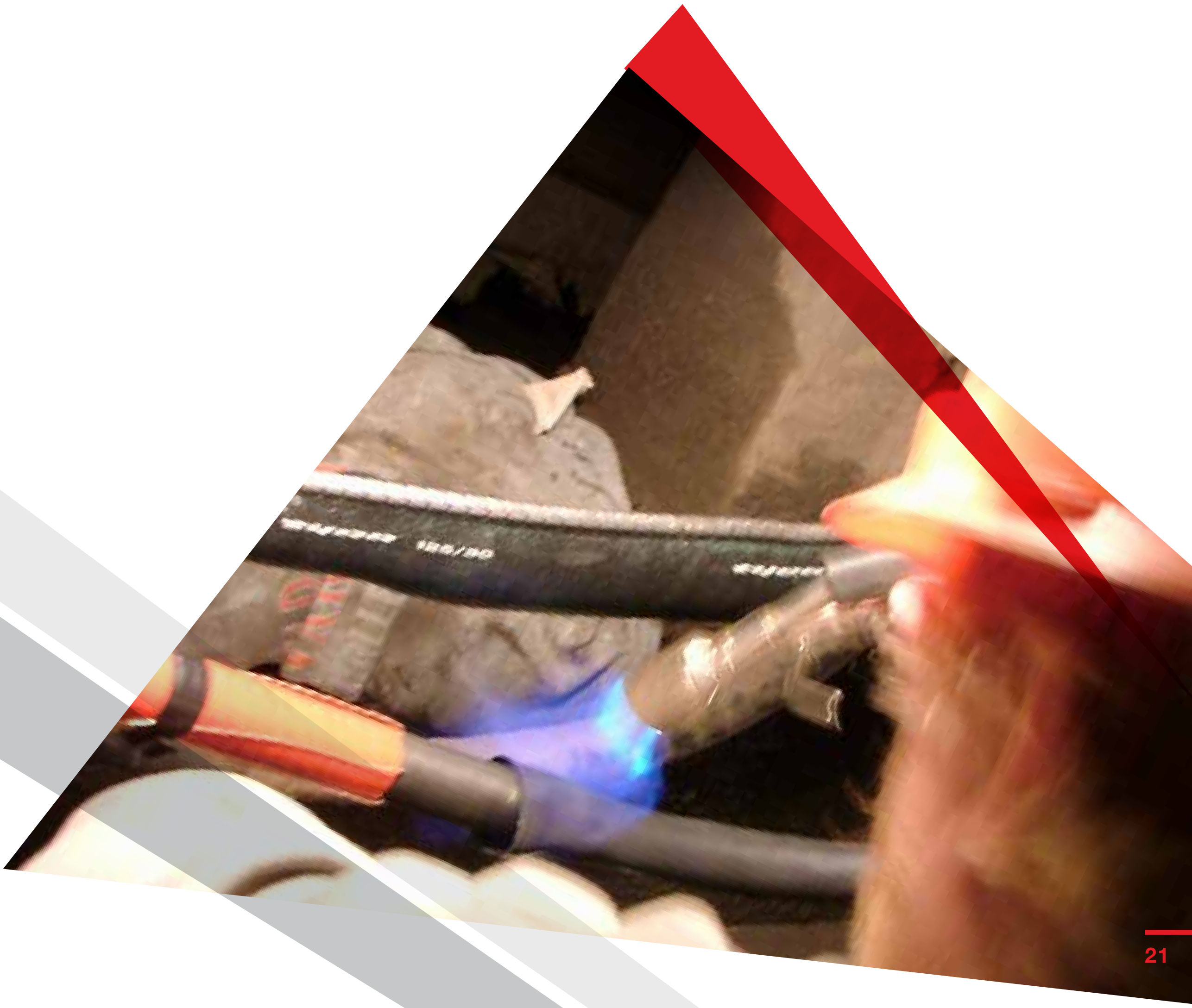
Mr Bradley Dowe is the Chief Executive Officer of the company.

**Appointment to the Board**

The Board has appointed a Nomination Committee to identify and recommend potential director appointments. Where a casual vacancy arises during the year, the Committee has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective board. Any director appointed during the year to fill a casual vacancy or as an addition to the current board, holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders.

A copy of the Nomination Committee's Charter is available on the company's web site at www.legendcorporate.com.

New directors receive a letter of appointment which sets out the terms of their appointment. On appointment, an induction program is available to directors that include one-on-one sessions with members of the senior management team.



### Evaluation of Senior Executives

Senior executives, including the Chief Executive Officer have a formal job description and letter of appointment describing their term of office, duties, rights, responsibilities and entitlements upon termination.

The performance of senior executives is reviewed annually before the budgets are approved for the next financial year. This process is a formal one with the executive's performance assessed against company, division and personal benchmarks. Benchmarks are agreed with the respective senior executives and reviews are based upon the degree of achievement against those benchmarks.

Induction procedures are in place to allow new senior executives to participate fully and actively in management decision-making. The induction program includes orientation of:

- The company's financial position, strategies, operations and risk management policies; and
- The respective rights, duties, responsibilities and roles of the board and senior executives.

A performance evaluation for senior executives has taken place in the reporting period and was in accordance with the process disclosed.

### Ethical Business Practices

The Company has adopted a Code of Conduct to maintain confidence in the company's integrity, its legal obligations and the expectations of its stakeholders. The company is committed to being a socially responsible corporate citizen, using honest and fair business practices, to act in the best interests of clients so as to achieve the best outcome for shareholders.

The Board has procedures in place for reporting any matters that may give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the company. These procedures are reviewed as required by the board. To this end, the company has adopted a Conflict of Interest Policy that clarifies the processes for directors and senior executives to determine and disclose when a conflict of interest exists.

The Code of Conduct is available on the company's web site at www.legendcorporate.com.

### Shareholding and Trading

The Board encourages directors and senior executives to own shares in the company to further link their interests with the interests of all shareholders. Trading of shares by directors or senior executives is prohibited under certain circumstances and as described in the ASX Listing Rules and during certain periods of the financial year. A director or senior executive must not deal in the company shares at any time when he or she has unpublished information which, if generally available, might affect the share price. Directors and senior executives are required to first obtain consent from the Chairman or Company Secretary before dealing.

The Trading Policy is available at the company's web site at www.legendcorporate.com

**Safeguard Integrity**

The Board has established an Audit and Risk Management Committee comprised of the two non-executive directors. This committee operates under a charter to enable it to perform its role and responsibilities. The Charter is available at the company's web site at www.legendcorporate.com. Where considered appropriate, the company's external auditors and the company's management are invited to attend meetings. The members of the Audit and Risk Management Committee are:

Ian Fraser (chair) and Bruce Higgins.

As the company has only three directors, of which one is the managing director who is not independent, the company does not comply with Recommendation 4.2 that the committee should comprise three members.

The qualifications of members of the committee together with their attendances at committee meetings is disclosed in the Directors' Report within this Annual Report.

The role of the Audit and Risk Management Committee is to assist the board fulfill its responsibilities in relation to the identification of the areas of significant business risks and the monitoring of the following:

- Effective management of financial and other business risks;
- Reliable management reporting;
- Compliance with laws and regulations in respect to financial reporting;
- Maintenance of effective and efficient audits;
- Meeting with external auditors on a twice-yearly basis and informally as circumstances require; and
- Recommending to the board the appointment, rotation, removal and remuneration of the external auditors, and review their terms of engagement, and the scope and quality of the audit. Periodically, the Audit and Risk Management Committee reviews the appointment of the external audit engagement partners using a formal process of evaluation to determine the most appropriate level of skills and experience to suit the size and complexity of the company.

The Audit and Risk Management Committee provides the board with additional assurances regarding the reliability of financial information for inclusion in the financial statements. To that extent, the Chief Executive Officer and the Chief Financial Officer are required to declare to the board that in their opinion the Financial Statements and notes to the Accounts within the Annual Report are in accordance with the Corporations Act 2001, comply with the Accounting Standards and the Corporations Regulations 2001 and give a true and fair view of the financial position of the company and are based upon a sound system of risk management and internal compliance and control prior to the signing of the Directors' Declaration in the Annual Report.

The committee is chaired by an independent chair who is not the chairman of the board.

**Independent Advice**

The Board recognises that in certain circumstances individual directors may need to seek independent professional advice, at the expense of the company. Any advice so received will be made available to other directors.

**Timely and Balanced Disclosure**

The board recognises the need to comply with ASX Listing Rule 3.1 concerning continuous disclosure.

At each meeting of directors, consideration is given as to whether notice of material information concerning the company, including its financial position, performance, ownership and governance has been made available to all investors.

The Continuous Disclosure Policy also requires senior executives in possession of disclosable information to comply with that policy.

The Continuous Disclosure Policy is available on the company's web site at www.legendcorporate.com.

**Communication with Shareholders**

The board aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the company's activities and its state of affairs, including information necessary to assess the performance of the directors.

Communication with shareholders is achieved through the distribution of the following information:

- The Annual Report distributed to shareholders;
- The Half Yearly Report which is available on the company's web site;
- The Annual General Meeting and other meetings called to obtain shareholder approval for board action as appropriate. Shareholders are encouraged to attend and participate at the company's Annual General Meeting and other General Meetings;
- Letters to shareholders when considered to be appropriate and informative;
- Announcements to the Australian Securities Exchange; and
- Investor information through the Company's internet portal at www.legendcorporate.com.

The Company strives to ensure that company announcements via the ASX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.

The Communications Policy is available at the company's web site at www.legendcorporate.com.

**Shareholders' Role**

The shareholders of the Company are responsible for voting on the election of directors at the Annual General Meeting in accordance with the constitution.

All directors (other than the Chief Executive Officer) are subject to re-election by rotation, no later than every three years.

The Annual General Meeting also provides shareholders with the opportunity to express their views on matters concerning the company and to vote on other items of business for resolution by shareholders.

The Company's auditor, Grant Thornton Audit Pty Ltd, make available a partner of the firm, to be in attendance at the Annual General Meeting and to be available to answer shareholder questions in relation to the audit.

**Risk Management**

The entire board is responsible for overseeing the risk management function. The company believes that it is crucial for all board members to be a part of the process and as such has established risk management as a component of the Audit and Risk Management Committee.

The board is responsible for ensuring the risks and opportunities are identified on a timely basis.

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

- Implementation of board approved operating plans and budgets;
- Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non financial nature; and
- The establishment of committees to report on specific risk as identified.

**Internal Risk Management System Compliance**

Management is accountable to the Chief Executive Officer to ensure that operating efficiency, effectiveness of risk management procedures, internal compliance control systems and controls and policies are all being monitored. Management has designed and implemented a risk management and internal control system to manage the company's material business risks and reports to the board at each meeting on the effective management of those risks. The company has identified a series of operational risks which it believes to be inherent in the industry in which the company operates. These include:

- Changed operating, market or regulatory environments;
- Fluctuations in demand volumes;
- Fluctuations in exchange rates; and
- Increasing costs of operations.

These risk areas are provided here to assist investors better understand the nature of the significant risks faced by the company.

The board requires the Chief Executive Officer and Chief Financial Officer every half year to provide a statement confirming that a sound system of risk management and internal control is in place and that the system is operating effectively in all material respects in relation to financial risks. The board has received that assurance.

The Risk Management Policy is available at the company's web site at www.legendcorporate.com

**Monitoring Performance**

The Board and senior management monitor the performance of all divisions through the preparation of monthly management accounts. The monthly management accounts are prepared using accrual accounting techniques and report each business unit's result as contribution after overhead allocation. These monthly management accounts are compared to monthly budgets, which have been set allowing for the seasonality of anticipated revenues and costs in each of the divisions.

The monitoring of the company's performance by the board and management assists in identifying the correct allocation of resources and staff to maximise the overall return to shareholders.

A performance evaluation for senior management was undertaken during the year and was in accordance with the process developed by the board for that purpose.

Details of the structure of non-executive directors' and senior executives' remuneration are included in the Remuneration Report within the Directors' Report in this Annual Report.

During the year the board undertook a performance review of the board, its committees and its directors, managed by the chair of the Remuneration Committee. The conclusions of the self assessment of the board's performance during the previous year and any recommendations for improvement which become apparent from that review, are discussed by the board.

The performance evaluation was undertaken using the process disclosed above.

**Nomination and Remuneration**

*Nomination Committee*

The Board has a Nomination Committee comprising the two non-executive Directors, Mr Bruce Higgins (Chairman) and Mr Ian Fraser, and Managing Director Mr Bradley Dowe.

The role of the Nomination Committee is to make recommendations to the board on the following matters:

- Determine the appropriate size and composition of the board;
- Determine the terms and conditions of appointment to and retirement from the board;
- Develop appropriate criteria for board membership;
- Reviewing membership of the board and proposing candidates for consideration by the board; and
- Arranging a review of the board's own performance.

The committee met during the year and considered that for the size of the company and the state of its development, the number of directors and their level of skills and experience was appropriate. The committee is aware of the need to continually assess the skills available to the board. Where additional skills are considered necessary, candidates for director are sought from the wider market place with a view to selecting the most appropriate candidate for the chosen role on the board. The directors undertook a peer review of board performance during the year with the objective of ensuring that the skills of the directors were appropriate and to comment on ways to improve board performance for the betterment of shareholder value.

The Nomination Committee Charter is available at the company's web site at www.legendcorporate.com.

*Remuneration Committee*

The Board has a Remuneration Committee comprising the two non-executive Directors, Mr Bruce Higgins (Chairman) and Mr Ian Fraser.

Chief Executive Officer, Bradley Dowe, attends the Remuneration Committee considerations as and when appropriate.

Details of the attendance of directors at committee meetings is disclosed in the Directors' Report in this Annual Report.

The role of the Remuneration Committee is to determine the company's remuneration plans, policies and practices, including compensation arrangements for the non-executive directors, executive directors, Chief Executive Officer and senior executives. It is also responsible for considering general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

The company has a policy to preclude its executives from entering into transactions to limit their economic risk from investing in company shares, options or rights where those investments are unvested and has made executives aware of their obligations in relation to financial commitments against shares issued under the executive securities plan and has requested that they take sufficient professional advice in relation to their individual financial position.

The Remuneration Committee Charter is available at the company's web site at www.legendcorporate.com.

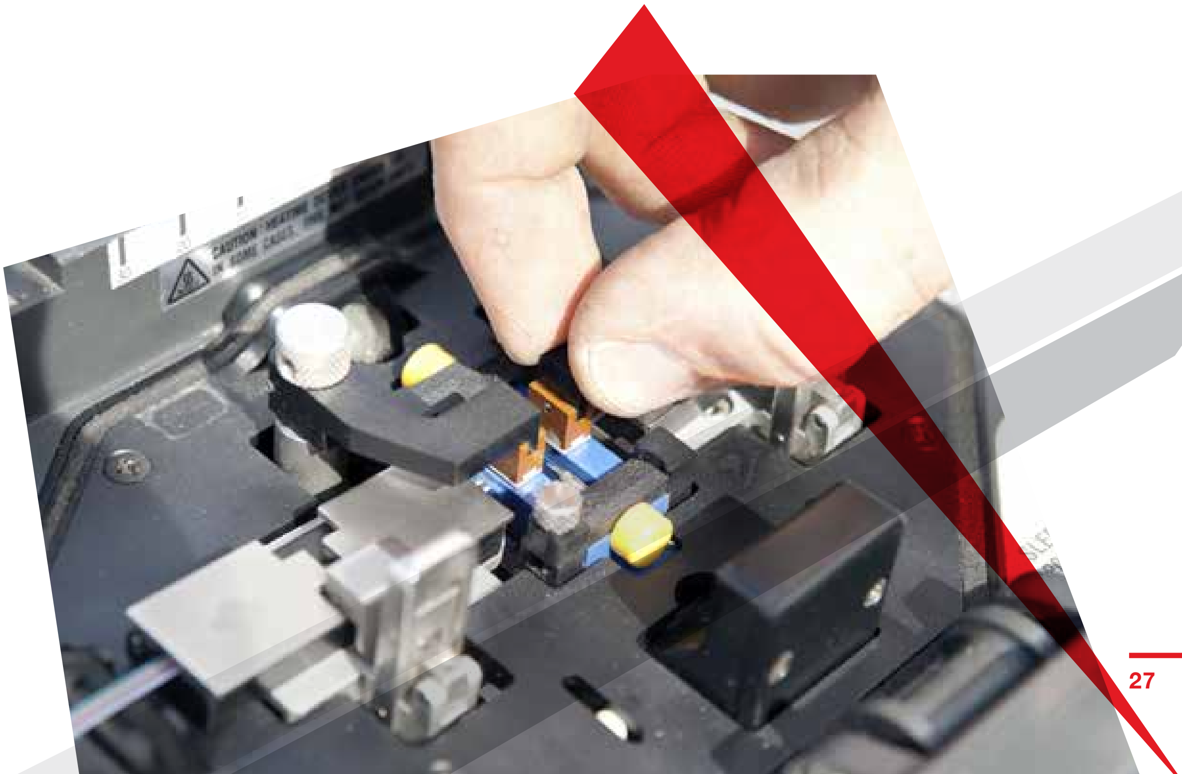
There are no retirement schemes or retirement benefits other than statutory benefits for non-executive directors.

*Remuneration Consultants*

The company did not employ remuneration consultants to assist with the evaluation of the remuneration of its senior executives and directors and relies instead on market evaluation and peer company analysis during the year.

*Gender Diversity*

The Board recognises that it is appropriate to have gender diversity throughout the company to assist in balancing overall priorities and skills for the company as a whole. Further disclosures in relation to gender diversity are included in the Chief Executive Officer's Report in this Annual Report. The Legend Diversity Policy is available at the company's web site at www.legendcorporate.com.



The Directors of Legend Corporation Limited ('Legend' or 'Consolidated Group') present their Report together with the financial statements of the consolidated entity, being Legend ('the Company') and its controlled entities ('the Group') for the financial year ended 30 June 2014.

**Directors Details**

The following persons were directors of Legend during or since the end of the financial year;

**Bruce E Higgins** BEng, CPEng, MBA, FAICD

Chairman / Independent Non-Executive Director
Director since October 2007

Chairman of the Remuneration Committee and Nominations Committee and Member of the Audit and Risk Management Committee

Mr. Higgins is an experienced non-executive director, chairman and former chief executive of both private and listed companies within Australia and internationally, spanning 25 years in diverse companies ranging from engineering, manufacturing and professional services to larger contracting businesses. Bruce was the recipient of the Ernst & Young "Entrepreneur of the Year" award in the Southern California region, June 2005.

Directorships held in other listed entities:

- Chairman of Q Technology Group Limited (appointed December 2010)
- Chairman of Hub24 Limited (appointed October 2012)

Previous directorships held in the last three years:

- Feore Limited (appointed December 2011, resigned July 2013)

Interest in shares:

- 3,677,150

Interest in options:

- 150,000

**Bradley R Dowe** BSc (Computer Science)

Managing Director and CEO
Director since October 2002

Member of the Nominations Committee

Mr Dowe is the founder and Chief Executive Officer of Legend and has been working in the field of engineering and computing for over 25 years. His experience covers all facets of engineering, electronics, manufacturing processes, software system development and international business operations. Bradley is a member of the Legend Nomination Committee.

Directorships held in other listed entities:

- None

Previous directorships held in the last three years:

- None

Interest in shares:

- 62,304,578

Interest in options:

- None

**Ian L Fraser FCPA, FAICD**

Independent Non-Executive Director

Director since January 2008

Chairman of the Audit and Risk Management Committee and Member of the Remuneration Committee and the Nominations Committee

Mr Fraser has extensive experience in corporate turnarounds, particularly in Australian manufacturing. Ian has held several senior management positions including Managing Director of Pioneer Sugar Mills Limited, Clyde Industries Limited, Australian Chemical Holdings Limited and TNT Australia Pty Ltd. Ian also has substantial international experience having lived and worked in South East Asia and the United States.

Directorships held in other listed entities:

- Structural Systems Limited (appointed May 2004)

Previous directorships held in the last three years:

- Forest Place Group Limited (appointed November 2001, resigned August 2011)
- PMP Limited (appointed March 2003, resigned November 2012)

Interest in shares:

- 675,000

Interest in options:

- 75,000

**Company Secretary**

**Graham Seppelt** CPA

Mr Seppelt was appointed as company secretary in January 2005. Graham has 40 years' experience and a wide exposure to a range of industries as a senior manager and contract accountant in corporate advisory roles. He is also company secretary for ASX listed companies BSA Limited, UXA Resources Limited and Australian Zircon NL.

**Meetings of Directors**

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year are detailed in the table below.

## Meetings Of Directors

| | BOARD | | AUDIT MEETINGS | | REMUNERATION COMMITTEE MEETINGS | | NOMINATION COMMITTEE MEETINGS | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Bruce Higgins | 8 | 8 | 2 | 2 | 1 | 1 | 1 | 1 |
| Bradley Dowe | 8 | 8 | * | * | * | * | 1 | 1 |
| Ian Fraser | 8 | 8 | 2 | 2 | 1 | 1 | 1 | 1 |

**A** Number of meetings attended

**B** Number of meetings held during the time the director held office or was a member of the committee during the year

* Not a member of the relevant committee

**Principal Activities**

The principal activities of the Consolidated Group during the financial year were:

- The distribution of cable accessories and tools servicing the electrical wholesale industry;
- The design and sale of specialised connectors and cable assemblies to power utilities and infrastructure project contractors;
- The distribution of computer room accessories; and
- The design development and sale of new and innovative products to complement existing product offerings for wholesale electrical switching products, medical devices and industrial electronic components and tooling.

There were no significant changes in the nature of the Consolidated Group's principal activities during the financial year.

**Operating Results and Review of Operations for the Year**

**Operating Results**

Net profit after tax (NPAT) for the Group was $6,694,000, consistent with the prior year result (2013: $6,707,000).

Revenue from the sale of goods was down 3% on the prior corresponding period (pcp) with gross profit down 6% on margins of 43.6% compared with 2013 45.1%.

Overhead expenses were 7% lower, notably a 4% reduction in employee benefits expenses and no bad debts for the year compared with $825,000 in the pcp.

Depreciation and amortisation was down $681,000 or 22% on the pcp. Amortisation charges continue to reduce annually, and pcp one off depreciation charges for the relocation of Western Australian operations were not repeated during the current year.

In addition to the information disclosed in the following Review of Operations, we refer you to the Chief Executive Officer's Report (pages 10 to 17 for further details and analysis of the Group's performance and financial position.

**Review of Operations**

*Electrical, Power and Infrastructure*

Electrical, Power and Infrastructure business comprises a large distribution business to over 1,800 electrical wholesale stores throughout Australia who supply electricians and electrical installation specialists. We also specialise in sales to power utility companies and infrastructure projects with leading certified CABAC branded electrical connectivity products, cables, tools, test and measurement instruments, data and computer room products.

Overhead expenses reduced 8% year on year. Despite this reduction Earnings Before Interest Taxation, Depreciation and Amortisation (EBITDA) was down 12% to $9,150,000 (2013: $10,355,000). The reduction in overheads was not sufficient to absorb the decline in revenue compounded by lower gross profit margins driven from the decline in the Australian dollar.

*Innovative Electrical Solutions*

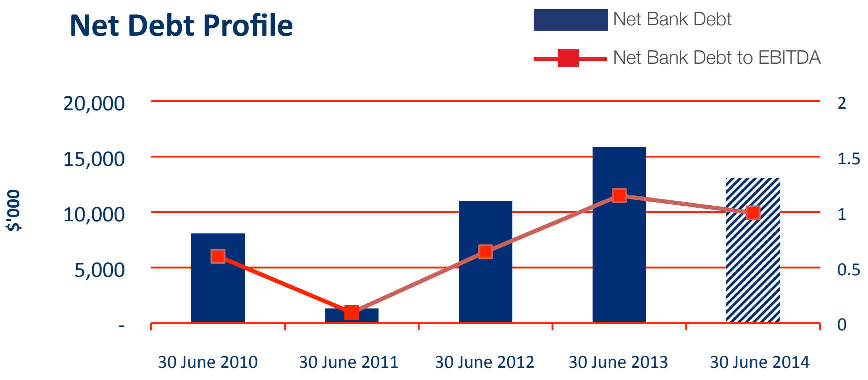
The focus for the segment remains the development of new and innovative products to complement existing product offerings in wholesale electrical switching products, medical devices and industrial electronic components and tooling. Sales of these products through existing sales channels grew 125% on the pcp, resulting in a 9% year on year increase in total segment revenue.

EBITDA was up 19% to $4,010,000 (2013: $3,372,000) through a combination of revenue growth, improved gross profit margins and overhead cost management.

**Financial Position**

As at 30 June 2014 net assets of the Group were $63,977,000, an increase of $2,735,000 on the prior year.

Net bank debt was reduced by $2,805,000 to $13,063,000 at year end, a modest 1 times EBITDA.




The Group executed a new Corporate Letter of Offer (CLO) with Australian and New Zealand Banking Group Limited effective 23 June 2014. Debt facilities offered under the CLO extend to June 2017.

The Directors believe the Group remains in a strong financial position to expand and grow current operations.

**Significant Changes in State of Affairs**

There were no significant changes within the Group during the year.

**Dividends**

In respect of the current year, a fully franked interim dividend of $1,646,000 (0.75 cents per share) was paid on 30 April 2014 (2013: $1,317,000).

Subsequent to the end of the financial year, the Directors have declared a fully franked final dividend of $2,195,000 (1.0 cents per share) to be paid 24 October 2014 (2013: $2,415,000)

**Events Arising Since the End of the Reporting Period**

Apart from the final dividend declared, there are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect either:

- The Group's operations in future financial years;
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

**Future Development, Prospective and Business Strategies**

The Group will continue its focus on business initiatives to meet customer needs whilst continuing to manage debt and costs, improving inventory performance and quality of earnings. The Group is actively seeking new opportunities within our existing resources.

The Directors are confident that the Group is well placed for the future.

### Environmental Issues

The Group was not subject to any particular or significant environmental regulations of the Commonwealth, individual States or Territories of Australia during the financial year.

### Indemnifying Officers or Auditor

During the year, the Company paid a premium for a contract insuring all directors, secretaries, executive officers and officers of the Company and of each related body corporate of the Company. The insurance does not provide cover for the independent auditors of the Company or of a related body corporate of the Company.

In accordance with usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

### Options

At the date of this report, the unissued ordinary shares of Legend Corporation Limited under option are detailed in the table below.

| GRANT DATE | VESTING DATE | DATE OF EXPIRY | EXERCISE PRICE | NUMBER UNDER OPTION |
|---|---|---|---|---|
| 26 Nov 2012 | 1 Oct 2014 | 26 Nov 2016 | $0.3019 | 225,000 |

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since reporting date.

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2014 and to the date of this report no shares have been issued on the exercise of options granted under the Legend Corporation Limited Employee Option Plan.

### 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 proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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

### Non-Audit Services

Grant Thornton Australia Limited did not provide any non-audit services during the year ended 30 June 2014.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 40, which forms part of this report.

### ASIC Class Order 98/100 Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

## REMUNERATION REPORT (audited)

The Directors of Legend Corporation Limited ('the Group') present the Remuneration Report prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The remuneration report is set out under the following main headings:

a. Principles used to determine the nature and amount of remuneration

b. Details of remuneration

c. Service agreements

d. Share-based remuneration

e. Other information

### a. Principles Used to Determine the Nature and Amount of Remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- To align rewards to business outcomes that deliver value to shareholders;
- To drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- To ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Legend has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and the executive team.

The Committee may engage independent external consultants and advisors to provide any necessary information to assist in the discharge of its responsibilities.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being annual salary;
- Short term incentives, being employee share schemes and bonuses; and
- Long term incentives, being performance based, payable in arrears with cash and shares.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The payment of bonuses, shares, share options and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, shares, options and incentives must be linked to pre-determined performance criteria.

The Key Performance Indicators (KPI's) for the Executive Team are summarised as follows:

- Financial – operating profit before income tax; and
- Non-financial – strategic goals set by each individual business unit based on job descriptions.

Legend performance measures involve the use of annual performance objectives, metrics, performance appraisals and continuing emphasis on living the Company values.

**Short Term Incentive (STI)**

Individual performance measures are set annually after consultation with the directors and executives and are specifically tailored to the areas where each executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The STI program incorporates both cash and share-based components for the executive team and other employees.

The Board may, at its discretion, award bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

**Group Level Incentive Plan (GLIP)**

The GLIP provides a collective bonus for distribution to nominated group level executives leveraged to a minimum growth requirement of 10% year-on-year in Net Profit Before Tax (NPBT). Accumulation of the bonus only occurs after the achievement of the minimum growth requirement and up to a maximum accumulation of 5% of NPBT. Merger and acquisition activities attract a further hurdle of 10% on funds invested additional to the minimum growth requirement.

The apportionment of the collective bonus to nominated group level executives requires the approval of the Remuneration Committee. Amounts apportioned to executives are to be taken in an equal split of cash and shares unless determined otherwise by the Remuneration Committee.

The number of shares issued to executives equates to three times the value of the share apportionment, determined by the ASX market price of Legend shares on the date of approval. Shares issued have a three year vesting period.

In accordance with the Group's Limited Recourse Loan Agreement, the Company provides to the executive an interest bearing loan equal to the value of the shares. The loan has a maximum term of five years.

Each share has the same voting rights and rights to dividends as existing ordinary shares. The shares however cannot be traded subject to the vesting period or before the repayment of the loan. Shares are forfeited on the earlier of termination of the executive's employment or the loan expiry date, subject to the loan having not been repaid.

Non-executive Directors are not entitled to participate in the GLIP.

**Use of Remuneration Consultants**

The Board and Remuneration Committee did not engage remuneration consultants to provide remuneration advice to the Board during the year.

**Voting and Comments Made at the Company's 2013 Annual General Meeting**

Legend received more than 98% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM on its remuneration report.

**Consequences of Performance on Shareholder Wealth**

In considering the Group's performance and benefits for shareholder wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial years:

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Net profit before tax | $9.7m | $9.5m | $13.6m | $11.5m | $9.7m |
| Net profit after tax | $6.7m | $6.7m | $9.4m | $8.0m | $6.6m |
| EPS (cents) | 3.1 | 3.1 | 4.3 | 3.7 | 3.1 |
| Dividends paid (cents) | 1.85 | 1.7 | 2.0 | 1.8 | - |
| Share price at year-end (cents) | 29 | 23 | 32 | 31 | 16 |

## b. Details of Remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP') of Legend are shown in the table below. Remuneration has been determined using a cash basis of accounting and therefore excludes accrued leave, bonuses and GLIP amounts.

### Directors and Other Key Management Remuneration

| | | SHORT-TERM BENEFITS | | | POST EMPLOYMENT BENEFITS | EQUITY-SETTLED SHARE-BASED PAYMENTS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary, fees and leave | Profit share and bonuses | Non-monetary | Pensions and superannuation | Shares / Units | GLIP Shares (1) | Options / Rights (2) | Total | Percentage of remuneration that is performance based % |
| | | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Executive Director** | | | | | | | | | | |
| Mr Bradley Dowe Managing Director / Chief Executive Officer | 2014 | 330,000 | - | 24,280 | 30,525 | - | | - | 384,805 | - |
| | 2013 | 330,000 | 101,400 | 9,646 | 29,700 | - | 122,115 | - | 592,861 | 37.7 |
| **Non-Executive Directors** | | | | | | | | | | |
| Mr Bruce Higgins Chairman / Independent Non-executive Director | 2014 | 127,284 | - | - | - | - | - | - | 127,284 | - |
| | 2013 | 127,284 | - | - | - | - | - | 30,529 | 157,813 | 19.3 |
| Mr Ian Fraser Independent Non-executive Director | 2014 | 66,038 | - | - | 6,108 | - | - | - | 72,146 | - |
| | 2013 | 64,038 | - | - | 5,943 | - | - | 15,264 | 87,245 | 17.5 |
| **Other Key Management Personnel** | | | | | | | | | | |
| Mr Hamish McEwin Chief Financial Officer | 2014 | 301,963 | - | - | 25,000 | - | - | - | 326,963 | - |
| | 2013 | 292,175 | 65,933 | - | 23,925 | - | 79,375 | - | 461,408 | 31.5 |
| Mr David Humphreys Group Marketing Manager | 2014 | 223,265 | - | - | 20,652 | - | - | - | 243,917 | - |
| | 2013 | 223,265 | 44,176 | 4,657 | 21,264 | 12,000 | 37,856 | - | 343,218 | 27.4 |
| Mr Mark Phillips General Manager Sales CABAC (appointed 24 September 2012) | 2014 | 292,500 | 40,000 | - | 26,825 | - | - | - | 359,325 | 11.1 |
| | 2013 | 219,375 | - | 4,500 | 18,225 | - | - | - | 242,100 | - |
| Mr Edward Fyvie General Manager Sales Power (appointed 1 August 2012) | 2014 | 241,648 | 15,000 | - | 20,333 | - | - | - | 276,681 | 5.4 |
| | 2013 | 230,542 | - | 24,280 | 9,900 | - | - | - | 240,442 | - |
| Total Key Management Personnel | 2014 | 1,582,698 | 55,000 | 24,280 | 129,443 | - | - | - | 1,791,421 | - |
| | 2013 | 1,488,679 | 211,509 | 18,803 | 108,957 | 12,000 | 239,346 | 45,793 | 2,125,087 | - |

(1)The value of shares issued under the GLIP is determined using the Black-Scholes method. It is reported as remuneration during the year of issue and does not take into consideration any vesting period attached to those shares.

(2) The value of options issued is determined using the Black-Scholes method. It is reported as remuneration during the year of issue and does not take into consideration any vesting period attached to those options.

### GLIP Payments

The minimum NPBT growth requirement including merger and acquisition activities for the 2014 financial year was 76%. This requirement was not met therefore no payment will be made under the Plan for the 2014 financial year.

### c. Service Agreements

Remuneration and other terms of employment for the Executive Director and other KMP are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

| Name | Base salary | Term of agreement | Notice period |
|---|---|---|---|
| Mr Bradley Dowe | $330,000 | Unspecified | 6 months |
| Mr Hamish McEwin | $303,479 | Unspecified | 6 months |
| Mr David Humphreys | $229,963 | Unspecified | 6 months |
| Mr Mark Philips | $193,200 | Unspecified | 3 months |
| Mr Edward Fyvie | $239,800 | Unspecified | 6 months |

### d. Share Based Remuneration

**Employee Share Scheme**

Group level executives are encouraged to take a minimum 50% of any bonus payment in Company shares. No shares were issued during the current financial year to group executives.

**GLIP Shares**

No shares were issued under the GLIP during the current financial year.

Shares issued to group level executives in prior years which remain subject to vesting periods or repayment of the loan are as follows:

| Name | Grant date | Number granted | Value per share ($) | Vesting date | Expiry date | Loan balance at year end ($) |
|---|---|---|---|---|---|---|
| Mr Bradley Dowe | 15.8.2012 | 967,742 | 0.126 | 15.8.2015 | 15.8.2017 | 291,665 |
| Mr Hamish McEwin | 15.8.2012 | 629,032 | 0.126 | 15.8.2015 | 15.8.2017 | 184,858 |
| Mr David Humphreys | 15.8.2012 | 300,000 | 0.126 | 15.8.2015 | 15.8.2017 | 90,431 |

The value of shares issued under the GLIP was determined using the Black-Scholes method. These shares cannot be traded subject to the vesting period or before the repayment of the loan.

**Options (granted over unissued shares)**

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis. Options carry no dividend or voting rights.

Details of options over ordinary shares in the Company granted as remuneration to each key management personnel are set out below.

| Name | Grant date | Number granted | Value per option ($) | Vesting date | Expiry date | Exercise price |
|---|---|---|---|---|---|---|
| Mr Bruce Higgins | 2.11.2012 | 150,000 | 0.102 | 26.10.2014 | 26.11.2016 | 0.3019 |
| Mr Ian Fraser | 2.11.2012 | 75,000 | 0.102 | 26.10.2014 | 26.11.2016 | 0.3019 |

Options were provided at no cost to the recipient.

For these options to vest the volume weighted average share price of the Shares traded on the ASX in the 20 trading days commencing 27 October 2014 must exceed $0.45 per share.

All options expire on the earlier of their expiry date or termination of the individual's employment.

### e. Other

Changes in Directors and Executives Subsequent to Year-End:
There have been no changes to Directors or Executives subsequent to year-end.

### f. KMP Options and Rights Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

| 30 JUNE 2014 | BALANCE AT BEGINNING OF YEAR | GRANTED AS REMUNERATION DURING THE YEAR | EXERCISED DURING THE YEAR | OTHER CHANGES DURING THE YEAR* | BALANCE AT YEAR END | VESTED DURING THE YEAR | VESTED AND EXERCISABLE | VESTED AND UNEXERCISABLE |
|---|---|---|---|---|---|---|---|---|
| Mr Bruce Higgins | 300,000 | - | - | (150,000) | 150,000 | - | - | - |
| Mr Ian Fraser | 150,000 | - | - | (75,000) | 75,000 | - | - | - |
| | 450,000 | - | - | (225,000) | 225,000 | - | - | - |

| 30 JUNE 2013 | BALANCE AT BEGINNING OF YEAR | GRANTED AS REMUNERATION DURING THE YEAR | EXERCISED DURING THE YEAR | OTHER CHANGES DURING THE YEAR | BALANCE AT YEAR END | VESTED DURING THE YEAR | VESTED AND EXERCISABLE | VESTED AND UNEXERCISABLE |
|---|---|---|---|---|---|---|---|---|
| Mr Bruce Higgins | 450,000 | 300,000 | - | (450,000) | 300,000 | - | - | - |
| Mr Ian Fraser | - | 150,000 | - | - | 150,000 | - | - | - |
| | 450,000 | 450,000 | - | (450,000) | 450,000 | - | - | - |

* Other changes during the year reflected above includes those options that have been forfeited by holders as well as issued during the year under review.

### g. KMP Shareholdings

The number of ordinary shares in Legend Corporation Limited held by each KMP of the Group during the financial year is as follows:

| 30 JUNE 2014 | BALANCE AT BEGINNING OF YEAR | GRANTED AS REMUNERATION DURING THE YEAR | ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR | OTHER CHANGES DURING THE YEAR* | BALANCE AT YEAR END |
|---|---|---|---|---|---|
| Mr Bruce Higgins | 3,677,150 | - | - | - | 3,677,150 |
| Mr Ian Fraser | 675,000 | - | - | - | 675,000 |
| Mr Bradley Dowe | 62,304,573 | - | - | - | 62,304,578 |
| Mr Hamish McEwin | 1,048,370 | - | - | - | 1,048,370 |
| Mr David Humphreys | 650,220 | - | - | - | 650,220 |
| Mr Mark Phillips | - | - | - | - | - |
| Mr Edward Fyvie | - | - | - | - | - |
| | 68,355,318 | - | - | - | 68,355,318 |

| 30 JUNE 2013 | BALANCE AT BEGINNING OF YEAR | GRANTED AS REMUNERATION DURING THE YEAR | ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR | OTHER CHANGES DURING THE YEAR* | BALANCE AT YEAR END |
|---|---|---|---|---|---|
| Mr Bruce Higgins | 3,493,850 | - | - | 33,300 | 3,677,150 |
| Mr Ian Fraser | 965,000 | - | - | (290,000) | 675,000 |
| Mr Bradley Dowe | 60,336,836 | 967,742 | - | - | 62,304,578 |
| Mr Hamish McEwin | 419,338 | 629,032 | - | - | 1,048,370 |
| Mr David Humphreys | 311,848 | 338,372 | - | - | 650,220 |
| Mr Andrew Hartley | - | - | - | - | - |
| | 65,676,872 | 1,935,146 | - | (256,700) | 68,355,318 |

* Other changes during the year refers to shares purchased or sold during the financial year.

**End of audited Remuneration Report.**

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Bruce E Higgins
Chairman of Directors
Legend Corporation Limited

22 August 2014

Level 17, 383 Kent Street
Sydney NSW 2000

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## Auditor's Independence Declaration
## To the Directors of Legend Corporation Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Legend Corporation Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 22 August 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

# FINANCIAL STATEMENTS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Sales revenue | 2 | 102,094 | 105,206 |
| Finance revenue | 2 | 83 | 88 |
| **TOTAL REVENUE** | | **102,177** | **105,294** |
| Other income | 2 | 73 | - |
| Changes in inventories | | 2,336 | 1,513 |
| Raw materials and consumables used | | (59,942) | (59,287) |
| Employee benefits expense | | (21,461) | (22,289) |
| Depreciation and amortisation expense | | (2,385) | (3,066) |
| Finance costs | 3 | (1,201) | (1,322) |
| Occupancy costs | | (3,216) | (3,119) |
| Other expenses | | (6,729) | (8,209) |
| **Profit before income tax** | **3** | **9,652** | **9,515** |
| Income tax expense | 4 | (2,958) | (2,808) |
| **PROFIT FOR THE YEAR** | | **6,694** | **6,707** |
| Other comprehensive income for the year, net of tax | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **6,694** | **6,707** |
| Profit attributable to: | | | |
| Members of the parent entity | | 6,694 | 6,707 |
| Non-controlling interest | | - | - |
| | | **6,694** | **6,707** |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | 6,694 | 6,707 |
| Non-controlling interest | | - | - |
| | | **6,694** | **6,707** |

| | | CENTS | CENTS |
|---|---|---|---|
| Basic earnings per share | 8 | 3.1 | 3.1 |
| Diluted earnings per share | 8 | 3.1 | 3.1 |

The accompanying notes form part of these financial statements

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

| | NOTES | CONSOLIDATED GROUP | |
|---|---|---|---|
| | | 2014 $'000 | 2013 $'000 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 6,577 | 5,160 |
| Trade and other receivables | 10 | 15,280 | 17,500 |
| Inventories | 11 | 23,887 | 22,299 |
| Other current assets | 12 | 809 | 563 |
| **TOTAL CURRENT ASSETS** | | **46,553** | **45,522** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | 7,490 | 8,344 |
| Deferred tax assets | 19 | 2,013 | 1,948 |
| Goodwill | 14 | 40,761 | 41,134 |
| Other intangible assets | 14 | 3,443 | 3,258 |
| **TOTAL NON-CURRENT ASSETS** | | **53,707** | **54,684** |
| **TOTAL ASSETS** | | **100,260** | **100,206** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | 10,695 | 11,781 |
| Other financial liabilities | 17 | 66 | - |
| Borrowings | 18 | 3,000 | 3,215 |
| Current tax liabilities | 19 | 1,101 | 1,071 |
| Short-term provisions | 20 | 3,470 | 3,131 |
| **TOTAL CURRENT LIABILITIES** | | **18,332** | **19,198** |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | - | 673 |
| Borrowings | 18 | 16,640 | 17,813 |
| Deferred tax liability | 19 | 1,084 | 977 |
| Long-term provisions | 20 | 227 | 303 |
| **TOTAL NON-CURRENT LIABILITIES** | | **17,951** | **19,766** |
| **TOTAL LIABILITIES** | | **36,283** | **38,964** |
| **NET ASSETS** | | **63,977** | **61,242** |
| **EQUITY** | | | |
| Issued capital | 21 | 74,281 | 74,281 |
| Reserves | 22 | 5,349 | 199 |
| Accumulated losses | | (15,653) | (13,238) |
| **TOTAL EQUITY** | | **63,977** | **61,242** |

The accompanying notes form part of these financial statements

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

| CONSOLIDATED GROUP | NOTES | ISSUED CAPITAL $'000 | OPTION RESERVE $'000 | PROFITS RESERVE $000 | ACCUMULATED LOSSES $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2012** | | 74,230 | 115 | - | (16,213) | 58,132 |
| Profit attributable to members of the parent entity | | - | - | - | 6,707 | 6,707 |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **6,707** | **6,707** |
| Shares issued during the year | | 51 | - | - | - | 51 |
| Dividends | | - | - | | (3,732) | (3,732) |
| Option expense | | - | 84 | - | - | 84 |
| **Transactions with owners in their capacity as owners** | | **51** | **84** | **-** | **(3,732)** | **(3,597)** |
| **BALANCE AT 30 JUNE 2013** | | **74,281** | **199** | **-** | **(13,238)** | **61,242** |
| Profit attributable to members of the parent entity | | - | - | - | 6,694 | 6,694 |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **6,694** | **6,694** |
| Transfer to profit reserve | | | | 6,694 | (6,694) | - |
| Shares issued during the year | | - | - | - | - | - |
| Dividends | 7 | - | - | (1,646) | (2,415) | (4,061) |
| Option expense | | - | 102 | - | - | 102 |
| **Transactions with owners in their capacity as owners** | | **-** | **102** | **5,048** | **(9,109)** | **(3,959)** |
| **BALANCE AT 30 JUNE 2014** | | **74,281** | **301** | **5,048** | **(15,653)** | **63,977** |

The accompanying notes form part of these financial statements

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 104,451 | 104,969 |
| Payments to suppliers and employees | | (90,706) | (93,715) |
| Interest received | | 63 | 85 |
| Finance costs | | (1,202) | (1,322) |
| Income tax paid | | (2,853) | (3,376) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 26 | **9,753** | **6,641** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from the sale of plant and equipment | | 33 | 44 |
| Purchase of property, plant and equipment | | (1,121) | (1,532) |
| Acquisition of subsidiaries, net of cash | 32 | (1,800) | (6,159) |
| Proceeds from employee loans | | 26 | 19 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(2,862)** | **(7,628)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividends paid | | (4,061) | (3,732) |
| Repayment of borrowings | | (3,235) | (2,474) |
| Proceeds from bank loans | | 1,827 | 5,595 |
| **NET USED IN FINANCING ACTIVITIES** | | **(5,469)** | **(611)** |
| Net increase/ (decrease) in cash and cash equivalents held | | 1,422 | (1,598) |
| Cash and cash equivalents at beginning of financial year | | 5,160 | 6,758 |
| Exchange differences on cash and cash equivalents | | (5) | - |
| **CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR** | 9 | **6,577** | **5,160** |

The accompanying notes form part of these financial statements

This financial report covers Legend Corporation Limited ('Parent Entity') and its controlled entities as a consolidated entity ('Consolidated Group' or 'Group'). Legend Corporation Limited is a listed public company, incorporated and domiciled in Australia.

## Note 1: Statement Of Significant Accounting Policies

### General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Legend Corporation Limited is a for-profit entity for the purposes of preparing the financial statements.

Legend Corporation Limited is the Group's ultimate parent entity. Legend Corporation Limited is a public company incorporated and domiciled in Australia. The address of its registered office is 1 Butler Drive, Hendon, South Australia, 5014.

The consolidated financial statements for the year ended 30 June 2014 were approved and authorised for issue by the board of directors on 22 August 2014.

**Changes in accounting policies**

**New and amended standards that are effective for these financial statements.**

**AASB 10 Consolidated Financial Statements**

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation - Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

**AASB 11 Joint Arrangements**

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AAS 131) and AASB Interpretation 113 Jointly Controlled Entities- Non-Monetary-Contributions by Venturers. AASB 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, AASB 131's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. AASB 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

The Group does not have any joint arrangements in place at 30 June 2014.

**AASB 12 Disclosure of interests in Other Entities**

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. The Group does not have any Interests in Other Entities which require disclosure.

**Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures**

AASB 127 now only addresses separate financial statements. AASB 128 brings investments in joint ventures into its scope. AASB 128's equity accounting methodology remains unchanged.

**AASB 13 Fair Value Measurement**

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are to be fair valued. The scope of AASB 13 is broad and applies for both financial and non-financial items for which other Australian Accounting standards require or permit fair value measurements of disclosures about fair value measurements, except in certain circumstances.

AASB 13 applies prospectively for annual reporting periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

## Note 1: Statement Of Significant Accounting Policies (Continued)

### Accounting Standards issued but not yet effective and have not been early adopted by the Group

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 Financial Instruments (December 2010) | 1 January 2018 | 30 June 2019 |
| AASB 2012-3 Amendments to Australian Accounting Standards- Offsetting Financial Assets and Financial Liabilities | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 | 30 June 2015 |
| AASB 1031 Materiality (December 2013) | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 Amendments to Australian Accounting Standards- Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality) | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 Amendments to Australian Accounting Standards- Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments) | 1 January 2015 | 30 June 2016 |
| AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles) | 1 July 2014 | 30 June 2015 |
| AASB 2014-1 Amendments to Australian Accounting Standards (Part B:Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)) | 1 July 2014 | 30 June 2015 |
| AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality) | 1 July 2014 | 30 June 2015 |
| AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14) | 1 January 2016 | 30 June 2017 |
| AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) | 1 January 2015 | 30 June 2016 |
| AASB Interpretation 21 Levies | 1 January 2014 | 30 June 2015 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2017 | 30 June 2018 |
| Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) | 1 January 2016 | 30 June 2017 |
| Accounting for Acquisition of Interests in Joint Operations (Amendments to IFRS 11) | 1 January 2016 | 30 June 2017 |

A number of Australian Accounting Standards and Interpretations are in issue but are not effective for the current year end. The reported results and position of the group will not change on adoption of these pronouncements as they do not result in any changes to the group's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The group does not intend to adopt any of these pronouncements before their effective dates.

## Summary of accounting policies

**a. Overall considerations**

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of sset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

## Note 1: Statement Of Significant Accounting Policies

### Summary of accounting policies

#### b. Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2014. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable Non- controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non controlling interests based on the respective ownership interests. During the year all subsidiaries are wholly owned and therefore there are no non controlling interests.

**Business Combinations**

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquirer's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

#### c. Income Tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

**Taxation of financial arrangements**

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group's tax position and these are not considered to be significant. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2014 (2013: $Nil).

## Note 1: Statement Of Significant Accounting Policies (Continued)

### d. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

### e. Property, Plant and Equipment

**Plant and equipment**

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

**Depreciation**

Depreciation is recognised on a straight-line basis to write down the cost or valuation less estimated residual value of property, plant and equipment.

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

| CLASS OF FIXED ASSET | DEPRECIATION RATE |
|---|---|
| Leasehold improvements | 2.5 - 30% |
| Motor Vehicles | 18 - 25% |
| Plant and Equipment | 1 - 40% |

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within ‘other income’ or ‘other expenses’.

### f. Leased Assets

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are classified separately and are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

## Note 1: Statement Of Significant Accounting Policies (Continued)

### g. Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below.

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within ‘finance costs’, ‘finance income’ or ‘other financial items’, except for impairment of trade receivables which is presented within ‘other expenses’.

**Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

**Financial Liabilities**

The Group’s financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within ‘finance costs’ or ‘finance income’.

### h. Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group’s latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount.

## i. Intangibles

### Goodwill

Goodwill represents future economic benefits arising from a business combination that are not individually identified and separately recognised. Refer to note 1(b) for information on how goodwill is intially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 1 (h) for impairment testing procedures.

### OTHER INTANGIBLE ASSETS

**Research and development**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**Trademarks and licenses**

Trademarks and licenses are recognised at cost of acquisition. Trademarks and licenses have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks and licenses are amortised over their useful life of 5 years.

**Acquired intangible assets**

Customer lists, Relief from Royalty, Non compete and Intellectual Property intangible assets recognised in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values. (see note 1 (b)). These intangible assets are amortised over their lives based on future cash flow forecasts. The following useful lives are applied:

- Customer lists: 5-10 years
- Non compete agreement: 5 years
- Intellectual property: 15 years
- Relief from royalty has an indefinite useful life.

Residual values and useful lives of other intangible assets are reviewed at each reporting date. In addition they are subject to impairment testing as described in note 1 (h).
Amortisation has been included within Depreciation and amortisation expense.

## j. Foreign Currency Transactions and Balances

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD (the Group's presentation currency) are translated into AUD upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate.

## k. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of estimated future cash outflows to be made for those benefits. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

## l. Share based employee remuneration

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions.

## m. Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and the amounts can be estimated reliably. Timing of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation based on the most reliable evidence available at reporting date, including the risks and uncertainties associated with the present obligation.

## n. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## o. Revenue and Other Income

### Sale of goods

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

### Interest and dividend income

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

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

## p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs' .

## q. 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## r. Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

## s. Rounding of Amounts

The Parent Entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and Directors' report have been rounded off to the nearest $1,000.

## t. Critical Accounting Estimates and Judgments

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

### Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### Key Estimates —Business combinations

Management uses valuation techniques in determining the fair value of the various elements of a business combination. Particularly the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

The Directors believe that there are no other key estimates or judgements.

The financial report was authorised for issue on 22nd August 2014 by the Board of Directors.

## Note 2: Revenue

| | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|
| **a. Operating activities** | | |
| - Sale of goods | 102,094 | 105,206 |
| **Sales revenue** | **102,094** | **105,206** |
| **b. Interest revenue from** | | |
| - Bank deposits | 83 | 88 |
| **c. Other income** | | |
| - Other income | 73 | - |

## Note 3: Profit For The Year

| | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|
| **a. Expenses** | | |
| Cost of sales | 57,606 | 57,774 |
| Foreign currency translation losses | 78 | 220 |
| Bad and doubtful debts (trade debtors): | - | 852 |
| Rental expense on operating leases | | |
| - Minimum lease payments | 2,622 | 2,468 |
| Research and development costs | 842 | 440 |
| Employee benefits expenses | 21,461 | 22,289 |
| (Gain) / loss on disposal of plant and equipment | (6) | (4) |
| **b. Finance costs** | | |
| Interest expense for financial liabilities: | | |
| - Other interest expense | 1,201 | 1,322 |

## Note 4: Income Tax Expense

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **a. The components of tax expense comprise:** | | | |
| Current tax | | 3,028 | 3,192 |
| Deferred tax | 19 | (125) | (295) |
| Adjustment for current tax of prior years | | 55 | (89) |
| | | 2,958 | 2,808 |
| **b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:** | | | |
| Prima facie tax payable on profit before income tax at 30% (2013: 30%) | | | |
| - Consolidated group | | 2,896 | 2,855 |
| **Add:** | | | |
| Tax effect of: | | | |
| - Other non-allowable items | | 40 | 42 |
| - Employee share expenses during the year | | 31 | 40 |
| - Prior year (over) / under provision for income tax | | 55 | (89) |
| - Adjustment for tax expense from prior years | | (64) | (40) |
| | | 62 | (47) |
| **Income tax attributable to entity** | | **2,958** | **2,808** |
| **Income tax expense attributable to continuing operations** | | **2,958** | **2,808** |
| **The applicable weighted average effective tax rates are as follows:** | | **31%** | **31%** |

## Note 5: Interests Of Key Management Personnel (KMP)

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

| | 2014 | 2013 |
|---|---|---|
| Short-term employee benefits | 1,661,978 | 1,668,502 |
| Post-employment benefits | 129,443 | 113,423 |
| Termination payments | - | 46,023 |
| Share-based payments shares/units | - | 12,000 |
| Share-based payments GLIP shares | - | 239,346 |
| Share-based payments options/rights | - | 45,793 |
| | 1,791,421 | 2,125,087 |

## Note 6: Auditors' Remuneration

| | CONSOLIDATED GROUP 2014 $ | 2013 $ |
|---|---|---|
| **Remuneration of the auditor of the parent entity for:** | | |
| - Auditing or reviewing the financial report | 214,500 | 214,000 |
| - Taxation services | - | 2,500 |
| **Remuneration of other auditors of subsidiaries for:** | | |
| - Auditing or reviewing the financial report | 15,000 | 15,000 |

## Note 7: Dividends

| | $'000 | $'000 |
|---|---|---|
| Dividends declared during the year: | | |
| Fully franked final dividend payment (1.1 cent per share) | 2,415 | 2,415 |
| Fully franked interim dividend (0.75 cents per share) | 1,646 | - |
| Fully franked dividend payment (0.6 cents per share) | - | 1,317 |
| | 4,061 | 3,732 |

The tax rates applicable to the franking credits attached to the interim and final dividend is 30%

**a. Franking credits**

The amount of franking credits available for subsequent reporting periods are:

| | | |
|---|---|---|
| Balance at the end of the reporting period | 17,162 | 16,049 |
| - Franking credits that will arise from payment of income tax | 1,097 | 308 |
| | 18,259 | 16,357 |

## Note 8: Earnings Per Share (EPS)

Both the basic and dliuted EPS have been calculated using the profit attributable to the shareholders of the parent company (Legend Corporation Limited) as the numerator, i.e no adjustments to profit were necessary in 2014 or 2013.

| | | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|---|
| a | The weighted average number of shares for the purposes of diluted EPS can be reconciled to the weighted average number of ordinary shares used in the calculation of basic EPS as follows: | | | |
| | Weighted average number of ordinary shares used in basic EPS | | 219,500,251 | 219,240,720 |
| | Weighted average number of dilutive options outstanding | | - | - |
| | Weighted average number of shares used in diluted EPS | | 219,500,251 | 219,240,720 |
| b | Anti-dilutive options on issue not used in dilutive EPS calculation | | 225,000 | 450,000 |

## Note 9: Cash And Cash Equivalents

| | NOTES | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Cash and cash equivalents include the following components: | | | |
| Cash at bank and in hand | 30 | 6,577 | 5,160 |

## Note 10: Trade and Other Receivables

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Trade receivables | | 15,438 | 17,646 |
| Provision for impairment of receivables | 10a | (196) | (267) |
| | | 15,242 | 17,379 |
| Other receivables | | 340 | 423 |
| Provision for impairment of other receivables | 10a | (302) | (302) |
| | | 38 | 121 |
| Total trade and other receivables | | 15,280 | 17,500 |

All amounts are short term. The net carrying amount of receivables is considered a reasonable approximation of fair value.

### a. Provision for impairment of receivables

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of $70,000 (2013: $810,000) has been recorded accordingly within other expenses. The impaired trade and other receivables are due from customers experiencing financial difficulties.

Movement in the provision for impairment of receivables is reconciled as follows:

| | 2014 | 2013 |
|---|---|---|
| Balance at 1 July | 569 | 569 |
| Amounts written off (uncollectable) | (71) | (809) |
| Impairment loss | - | 809 |
| Balance at 30 June | 498 | 569 |

An analysis of unimparied trade receivables that are past due is given in Note 30.

## Note 11: Inventories

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Inventories consist of the following: | | |
| At cost | | |
| Raw material and stores | 2,750 | 2,159 |
| Work in progress | 114 | 117 |
| Finished goods | 19,781 | 19,188 |
| | 22,645 | 21,464 |
| At net realisable value | | |
| Finished goods | 1,242 | 835 |
| | 1,242 | 835 |
| | 23,887 | 22,299 |
| Inventories written off during the year | 122 | 107 |

No reversals of previous write downs were recognised as a reduction of expense in 2014 or 2013. None of the inventories are pledged as security for liabilities.

## Note 12: Other Current Assets

| | | |
|---|---|---|
| Prepayments | 809 | 563 |

## Note 13: Property, Plant & Equipment

The Group's property plant and equipment consists of manufacturing machinery, warehousing, IT equipment and other equipment primarily consisting of fixtures and fittings. The carrying amount can be analysed as follows.

| | PLANT AND EQUIPMENT $'000 | MOTOR VEHICLES $'000 | LEASEHOLD IMPROVEMENTS $'000 | TOTAL $'000 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| Balance at 1 July 2013 | 25,289 | 152 | 1,349 | 26,790 |
| Additions | 961 | - | 160 | 1,121 |
| Disposals | (24) | (53) | - | (77) |
| Balance at 30 June 2014 | 26,226 | 99 | 1,509 | 27,834 |
| **Depreciation and impairment** | | | | |
| Balance at 1 July 2013 | (17,706) | (44) | (696) | (18,446) |
| Disposals | 18 | 14 | - | 32 |
| Depreciation expense | (1,797) | (14) | (119) | (1,930) |
| Balance at 30 June 2014 | (19,485) | (44) | (815) | (20,344) |
| **Carrying amount at 30 June 2014** | **6,741** | **55** | **694** | **7,490** |
| **Gross carrying amount** | | | | |
| Balance at 1 July 2012 | 23,671 | 207 | 1,247 | 25,125 |
| Acquired through business combination | 120 | - | - | 120 |
| Additions | 1,507 | 16 | 102 | 1,625 |
| Disposals | (9) | (71) | - | (80) |
| Balance at 30 June 2013 | 25,289 | 152 | 1,349 | 26,790 |
| **Depreciation and impairment** | | | | |
| Balance at 1 July 2012 | (15,548) | (43) | (362) | (15,953) |
| Disposals | 3 | 44 | - | 47 |
| Depreciation expense | (2,161) | (45) | (334) | (2,540) |
| Balance at 30 June 2013 | (17,706) | (44) | (696) | (18,446) |
| **Carrying amount at 30 June 2013** | **7,583** | **108** | **653** | **8,344** |

All depreciation and impairment charges (or reversals if any) are included within "depreciation and amortisation expense".

No property, plant or equipment has been pledged as security for liabilities.

## Note 14: Intangible Assets

| | NOTE | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Goodwill** | | | |
| **Gross carrying amount** | | | |
| Balance at 1 July | | 58,442 | 57,432 |
| Recognition of separately identifiable intangible assets | | (373) | - |
| Acquired through asset acquisition | | - | 788 |
| Acquired through business combination | | - | 222 |
| Balance at 30 June | | 58,069 | 58,442 |
| **Accumulated impairment** | | | |
| Balance at 1 July | | (17,308) | (17,308) |
| Impairment loss recognised | | - | - |
| Balance at 30 June | | (17,308) | (17,308) |
| **Carrying amount at 30 June** | | 40,761 | 41,134 |

Acquistion accounting for the prior year acquisitions of Spectron (NZ) Limited and the selected assets of Ecco Pacific Limited was completed during the year. The reduction in the carrying amount of goodwill for the year is due to recognition of separately identifiable intangible assets as disclosed in Note 14 Other Intangible Assets.

**Impairment disclosure**

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Hendon Semiconductors Pty Ltd | 12,047 | 12,047 |
| Legend Corporate Services Pty Ltd | 28,073 | 24,554 |
| MSS Fibre Systems Pty Ltd | - | 4,169 |
| Ecco Pacific Limited | 641 | 364 |
| | **40,761** | **41,134** |

* MSS Fibre Systems Pty Ltd will be fully integrated into Legend Corporate Services Pty Ltd from 1 July 2014.

The recoverable amount of the cash-generating units above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period, plus a terminal value. The cash flows are discounted using the yield of 5-year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

| | GROWTH RATE | | PRE-TAX DISCOUNT RATE | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Hendon Semiconductors Pty Ltd | 1.00% | -1.21% | 15.82% | 15.17% |
| Legend Corporate Services Pty Ltd | 8.90% | 2.92% | 15.82% | 15.17% |
| MSS Fibre Systems Pty Ltd | n/a | 9.03% | n/a | 15.17% |
| Ecco Pacific Limited | 2.00% | 0.99% | 15.82% | 15.17% |

Management has based the value-in-use calculation on budgets for each reporting segment. These budgets use historical weighted average growth rates adjusted for current market conditions to project revenue. The projection period reflects the expected useful life of the assets and product lifecycle. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with the segment.

## Note 14: Intangible Assets (Continued)

**Other Intangible Assets**

Details of the Group's other intangible assets and their carrying amounts are as follows:

| | BRAND NAME $'000 | CUSTOMER RELATIONSHIPS $'000 | NON COMPETE AGREEMENT $'000 | INTELLECTUAL PROPERTY $'000 | TOTAL $'000 |
|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | |
| Balance at 1 July 2013 | 2,000 | 1,417 | 624 | 419 | 4,460 |
| Acquired through business combination | 500 | 21 | 119 | - | 640 |
| Additions | - | - | - | - | - |
| Balance at 30 June 2014 | 2,500 | 1,438 | 743 | 419 | 5,100 |
| **Amortisation and impairment** | | | | | |
| Balance at 1 July 2013 | - | (898) | (250) | (54) | (1,202) |
| Amortisation | - | (263) | (165) | (27) | (455) |
| Balance at 30 June 2014 | - | (1,161) | (415) | (81) | (1,657) |
| **Carrying amount at 30 June 2014** | 2,500 | 277 | 328 | 338 | 3,443 |
| | | | | | |
| **Gross carrying amount** | | | | | |
| Balance at 1 July 2012 | 2,000 | 1,417 | 624 | 419 | 4,460 |
| Acquired through business combination | - | - | - | - | - |
| Balance at 30 June 2013 | 2,000 | 1,417 | 624 | 419 | 4,460 |
| **Amortisation and impairment** | | | | | |
| Balance at 1 July 2012 | - | (525) | (125) | (27) | (677) |
| Amortisation | - | (373) | (125) | (27) | (525) |
| Balance at 30 June 2013 | - | (898) | (250) | (54) | (1,202) |
| **Carrying amount at 30 June 2013** | 2,000 | 519 | 374 | 365 | 3,258 |

All amortisation and impairment charges (or reversals if any) are included within depreciation and amortisation.

**Brand Name**

On acquisition of the assets of Ecco Pacific Limited 31 October 2012 the company secured the exclusive rights and ownership of the Ecco Pacific brand name for use in Australia and New Zealand. This brand name is considered key to the ongoing success of the business.

The directors are of the opinion that the brand names acquired have an indefinite life. Under Austalian Accounting Standards intangibles with indefinite useful lives must be tested annually for impairment.

A relief from royalty discounted cash flow method was used to calculate the capitalised value of the royalty stream associated with the brand. This was based on financial forecasts covering a 10 year period. A pre-tax discount rate of 15.82% was adopted in the calculation.

**Customer Relationships**

The customer relationships have been valued by calculating the net present value of the cash flows expected from the customers over the customers useful lives. The useful lives range from 3 to 10 years.

**Non Compete Agreement**

The non compete agreements in place have a maximum  5 year restraint period from the date of acquisition. The value was determined using managements best estimate of the relationships with customers and vendors and their ability to transfer to alternative organisations.

**Intellectual Property**

Specific knowledge and know-how had been developed in-house for the key products selling at acquisition date. The costs accumulated to the date of acquisition have been capitalised and have an expected life cycle of these products of 15 years.

## Note 15: Controlled Entities

**a. Controlled entities consolidated**

| | COUNTRY OF INCORPORATION | PERCENTAGE OWNED (%)* 2014 | 2013 |
|---|---|---|---|
| **Subsidiaries of Legend Corporation Limited** | | | |
| Legend Corporate Services Pty Ltd | Australia | 100 | 100 |
| Cable Accessories (Holdings) Pty Ltd | Australia | 100 | 100 |
| IES Investments Pty Ltd | Australia | 100 | 100 |
| MSS Fibre Systems Pty Ltd | Australia | 100 | 100 |
| MSS Power Systems Pty Ltd | Australia | 100 | 100 |
| Ecco Pacific Limited | New Zealand | 100 | 100 |
| **Subsidiaries of Legend Corporate Services Pty Ltd** | | | |
| Legend Pacific Pty Ltd | Australia | 100 | 100 |
| Legend Performance Technology (Thailand) Company Ltd | Thailand | 100 | 100 |
| **Subsidiaries of Cable Accessories (Holdings) Pty Ltd** | | | |
| Cable Accessories (Australia) Pty Ltd | Australia | 100 | 100 |
| Cable Projects Pty Ltd | Australia | 100 | 100 |
| **Subsidiaries of IES Investments Pty Ltd** | | | |
| Hendon Semiconductors Pty Ltd | Australia | 100 | 100 |
| **Subsidiaries of MSS Fibre Pty Ltd** | | | |
| MSS Power and Fibre Systems Pty Ltd | Australia | 100 | 100 |

* Percentage of voting power is in proportion to ownership

**b. Deed of cross guarantee**

Legend Corporation Limited, Legend Corporate Services Pty Ltd, Legend Pacific Pty Ltd, Cable Accessories (Holdings) Pty Ltd, Cable Accessories (Aust) Pty Ltd, Cable Projects Pty Ltd, IES Investments Pty Ltd, Hendon Semiconductors Pty Ltd, MSS Power Systems Pty Ltd, MSS Fibre Systems Pty Ltd, MSS Power and Fibre Systems Pty Ltd and Ecco Pacific Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The consolidated financial report covers the closed group and all parties to the Deed of Cross Guarantee.

## Note 16: Trade And Other Payables

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Current** | | | |
| Trade payables | | 9,180 | 9,309 |
| Sundry payables and accrued expenses | | 1,515 | 2,452 |
| Finance lease liability | | - | 20 |
| | 21d | 10,695 | 11,781 |
| **Non-Current** | | | |
| Sundry payables and accrued expenses | | - | 673 |
| | 21d | - | 673 |

With the exception of the non-current portion part of the finance lease liabilities, all amounts are short term. The carrying amounts of trade payables are considered to be an approximation of fair value.

## Note 17: Other Financial Liabilities

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Derivative financial instruments** | | | |
| US Dollar forward contracts | | 66 | - |
| | | 66 | - |

The Group uses forward exchange contracts to mitigate exchange rate exposure arising from forecast purchases in US dollars. All derivatives are measured at fair value. The forward contracts have not been formally designated as hedging arrangements.

## Note 18: Borrowings

| | NOTES | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **CURRENT** | | | |
| **Secured liabilities** | | | |
| Bank bills | 18b | 3,000 | 2,900 |
| Other loan | 18c | - | 315 |
| | | **3,000** | **3,215** |
| **NON-CURRENT** | | | |
| **Secured liabilities** | | | |
| Bank bills | 18b | 16,640 | 17,813 |
| | | **16,640** | **17,813** |

**a. Total current and non-current secured liabilities**

| | NOTES | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Bank bills | 21d | 19,640 | 20,713 |
| Other | | - | 315 |
| | | **19,640** | **21,028** |

**b. Bank bills and equipment facilities**

Bank bills and equipment facilities have been provided by Australia and New Zealand Banking Group Limited. The Letter of Offer under which these facilities were offered was signed on 19 March 2014.

Bank bills, which have been drawn as a source of long-term finance, are provided by the Bank under multiple facilities with a termination date of 23 June 2017. The bills mature on the last business day of every month. As at 30 June 2014, all bank bills are under variable interest rate arrangement. The current interest rate is 2.075% (2013: 3.746%) payable monthly in advance.

Bank bills are secured by:

Fixed and floating charges over the whole of the company assets including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to the Australia and New Zealand Banking Group Limited given by MSS Power Systems Pty Ltd, MSS Fibre Systems Pty Ltd, MSS Power & Fibre Systems Pty Ltd, Legend Corporation Limited, Legend Corporate Services Pty Ltd, Legend Pacific Pty Ltd, Cable Accessories (Holdings) Pty Ltd, Cable Accessories (Australia) Pty Ltd, Cable Projects Pty Ltd, Hendon Semiconductors Pty Ltd, IES Investments Pty Ltd and Ecco Pacific Limited.

The following covenants apply to debt facilities provided by the Bank:

i. **Debt to EBITDA Ratio**

The Debt to EBITDA Ratio for any relevant period does not exceed 3.00:1.

ii. **Interest Cover Ratio**

The Interest Cover Ratio for any revelvant period is not less than 3.00:1.

iii. **Minimim Net Assets**

The Minimum Net Assets for any Relevant Period must at any time be less than 10% of the prior year's Net Assets for that Testing Entity as per the Annual Audited Financial Statements.

To the date of this report, the company has complied with all banking covenants.

**c. Other loan**

A loan was provided by Macquarie Premium Funding Pty Ltd and was used to fund the Group's insurance premiums.

## Note 19: Tax

| | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|
| **a. Current** | | |
| Income tax payable | 1,101 | 1,071 |
| **b. Non-Current** | | |
| Deferred tax assets comprise: | | |
| Provisions | 1,988 | 1,912 |
| Other | 25 | 36 |
| | 2,013 | 1,948 |
| Deferred tax liabilities comprise: | | |
| Intangible | 1,084 | 977 |
| | 1,084 | 977 |
| **c. Reconciliations** | | |
| **i. Gross movement** | | |
| The movement in deferred tax accounts is as follows: | | |
| Opening balance | 1,948 | 1,787 |
| (Charge)/credit to income statements | - | - |
| Offset against current provision | 65 | 161 |
| **Closing balance** | **2,013** | **1,948** |
| **ii. Deferred tax liabilities** | | |
| The movement in deferred tax liability account is as follows: | | |
| Other | | |
| Opening balance | 977 | 1,135 |
| (Charge)/credit to income statements | (85) | (158) |
| Intangible assets | 192 | - |
| **Closing balance** | **1,084** | **977** |
| **iii. Deferred tax assets** | | |
| The movement in deferred tax assets account is as follows: | | |
| Provisions | | |
| Opening balance | 1,912 | 1,732 |
| (Charge)/credit to income statements | 76 | 180 |
| **Closing balance** | **1,988** | **1,912** |
| Other | | |
| Opening balance | 36 | 55 |
| (Charge)/credit to income statements | (11) | (19) |
| **Closing balance** | **25** | **36** |

## Note 20: Provisions

| | EMPLOYEE BENEFITS $'000 | TOTAL $'000 |
|---|---|---|
| **Consolidated Group** | | |
| Opening balance at 1 July 2013 | 3,434 | 3,434 |
| Additional provisions | 1,503 | 1,503 |
| Amounts used | (1,240) | (1,240) |
| Balance at 30 June 2014 | **3,697** | **3,697** |

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| **Analysis of total provisions** | | |
| Current | 3,470 | 3,131 |
| Non-current | 227 | 303 |
| | **3,697** | **3,434** |

**Provision for employee benefits**

A provision has been recognised for employee benefits relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1k to this report.

## Note 21: Issued Capital

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| 219,500,251 (2013: 219,500,251) fully paid ordinary shares | 74,281 | 74,281 |

The share capital of Legend Corporation Limited consists only of fully paid ordinary shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital, and represent one vote at the shareholders meeting of Legend Corporation Limited.

| | | NO. | NO. |
|---|---|---|---|
| **a. Ordinary shares** | | | |
| At beginning of reporting period | | 219,500,251 | 217,440,928 |
| Shares issued during the year: | | | |
| Issued under share based payments | 21c | - | 162,549 |
| Issued under Group Level Incentive Program | 21c | - | 1,896,774 |
| **Total shares authorised 30 June** | | **219,500,251** | **219,500,251** |

None of the parents shares are held by any company in the Group.

## Note 21: Issued Capital (Continued)

**b. Options**

i. For information relating to the Legend Corporation Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at year-end, refer to Note 27 Share-based payments.

**c. Employee share scheme**

For information relating to the Legend Corporation Limited Employee Share Scheme, including details of shares issued during the financial year, and Group Level Incentive Plan refer to Note 27 Share-based payments.

**d. Capital management**

Management controls the capital of the Group in order to maintain a debt to equity ratio within pre-determined benchmarks, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.
The gearing ratios for the year ended 30 June 2014 and 30 June 2013 are as follows:

| | NOTES | CONSOLIDATED GROUP | |
|---|---|---|---|
| | | 2014 $'000 | 2013 $'000 |
| Borrowings | 18 | 19,640 | 21,028 |
| Less cash and cash equivalents | 9 | (6,577) | (5,160) |
| Net debt | | 13,063 | 15,868 |
| Trade and other payables | 16 | 10,695 | 12,454 |
| Net debt including trade and other payables | | 23,758 | 28,322 |
| Total equity | | 63,977 | 61,242 |
| **Total capital** | | **87,735** | **89,564** |
| Gearing Ratio | | 27% | 32% |

## Note 22: Reserves

### a. Option reserve

The option reserve records items recognised as expenses on valuation of employee share options and shares issued under the Group Level Incentive Plan.

Movements in the Options reserve were as follows:

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Balance at the beginning of the year | 199 | 115 |
| Option expense | 102 | 84 |
| Balance at the end of the year | 301 | 199 |

### b. Profits reserve

The profits reserve records profits which are available for distribution to shareholders.

| | | |
|---|---|---|
| Balance at the beginning of the year | - | - |
| Transfer from retained earnings | 6,694 | - |
| Dividends paid | (1,646) | - |
| Balance at the end of the year | 5,048 | - |

## Note 23: Leases

### a. Finance lease commitments

Future minimum lease payments at the end of each reporting period under review were as follows:

| | | |
|---|---|---|
| Payable - minimum lease payments | | |
| - not later than 12 months | | |
| - Lease payments | - | 21 |
| - Finance charges | - | (1) |
| | - | 20 |

### b. Operating lease commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements

| | | |
|---|---|---|
| Payable - minimum lease payments | | |
| - not later than 12 months | 2,693 | 2,407 |
| - between 12 months and 5 years | 6,799 | 8,335 |
| - greater than 5 years | - | - |
| | 9,492 | 10,742 |

The most significant property lease at Seven Hills NSW which commenced on 30 May 2008 is a non-cancellable lease with a 10-year term. Rent is payable monthly in advance. Rent adjustments are performed annually on the basis of a Market Review. As it is not possible to determine future market rates, minimum lease repayments have been calculated on the basis of current rental payments over the remaining period of the lease. An option exists to renew the lease at the end of the 10-year term for an additional two terms of 5 years

## Note 24: Contingent Liabilities and Contingent Assets

### Related party guarantee provided

Legend Corporation Limited, Legend Corporate Service Pty Ltd, Legend Pacific Pty Ltd, Cable Accessories (Holdings) Pty Ltd, Cable Accessories (Aust) Pty Ltd, Cable Projects Pty Ltd, IES Investments Pty Ltd, Hendon Semiconductors Pty Ltd, MSS Fibre Systems Pty Ltd, MSS Power Systems Pty Ltd, MSS Power and Fibre Systems Pty Ltd and ECCO Pacific Limited have provided guarantees as described in Note 15b Controlled Entities and Note 18b Borrowings. No deficiencies of net assets exist in the entities concerned at 30 June 2014.

## Note 25: Operating Segments

### *Segment Information*

### *Identification of reportable segments*

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing the performance and determining the allocation of resources.
The Group is managed primarily on the basis of product category since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.
Reportable segments disclosure are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following;

- the products sold by the segment;
- the manufacturing process; and
- the type or class of customer for the products.

### *Types of products by segment*

*Electrical, Power and Infrastructure*

The electrical, power and infrastructure segment distributes a wide range of house branded electrical and connectivity products and tools, cable assemblies, data and computer room products. Products are of a similar nature with the majority of customers being within the electrical wholesale or power and infrastructure induestries.

*Innovative Electrical Solutions*

The innovative electrical solutions segment manufactures application designs and integrated circuits, thick film hybrids, and ceramic printed circuit boards for use across industries including medical, telecommunications, lighting, automotive and consumer electrical. Manufacture of these products is performed in accordance with customer specifications, requiring a high level of technical expertise.

### *Basis of accounting for purposes of reporting by operating segments*

*Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

*Inter-segment transaction*

An internally determined transfer price is set for all inter-entity sales. This price is reviewed six-monthly and reset as required, and is based on what would be realised in the event that the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Group financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

*Segment assets*

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and location.

*Segment liabilities*

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated.

## Note 25: Operating Segments (Continued)

### Segment Information (continued)

*Unallocated items*

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment;

- finance income and costs;
- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities; and
- intangible assets.

There have been no changes from the prior periods in the measurement methods used to determine reported segment profit or loss.

**(i) Segment performance**

| | ELECTRICAL, POWER AND INFRASTRUCTURE | | INNOVATIVE ELECTRICAL SOLUTIONS | | CONSOLIDATED GROUP | |
|---|---|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| **Revenue** | | | | | | |
| Revenue from external customers | 92,258 | 94,932 | 9,836 | 10,274 | 102,094 | 105,206 |
| Inter-segment revenues | - | - | 2,665 | 1,186 | - | - |
| **Total revenue** | **92,258** | **94,932** | **12,501** | **11,460** | **102,094** | **105,206** |
| **Result** | | | | | | |
| Earnings before interest, taxation, depreciation and amortisation | 9,150 | 10,355 | 4,010 | 3,372 | | |
| Depreciation and amortisation | (2,161) | (2,834) | (229) | (232) | | |
| Segment operating profit | 6,989 | 7,521 | 3,781 | 3,140 | 10,770 | 10,661 |
| Elimination of intersegment profit | | | | | - | 88 |
| Finance income | | | | | 83 | 88 |
| Finance costs | | | | | (1,201) | (1,322) |
| Profit before income tax | | | | | 9,652 | 9,515 |
| Income tax expense | | | | | (2,958) | (2,808) |
| Profit after income tax | | | | | 6,694 | 6,707 |

## Note 25: Operating Segments (Continued)

### Segment Information (continued)

#### (ii) Segment assets and liabilities

| | ELECTRICAL, POWER AND INFRASTRUCTURE | | INNOVATIVE ELECTRICAL SOLUTIONS | | CONSOLIDATED GROUP | |
|---|---|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| **Assets** | | | | | | |
| Segment assets | 46,195 | 46,312 | 7,848 | 7,554 | 54,043 | 53,866 |
| Deferred tax assets | | | | | 2,013 | 1,948 |
| Intangible assets | | | | | 44,012 | 44,392 |
| **Total assets** | | | | | **100,068** | **100,206** |
| **Liabilities** | | | | | | |
| Segment liabilities | 12,893 | 14,679 | 1,565 | 1,209 | 14,458 | 15,888 |
| Tax liabilities | | | | | 1,993 | 2,048 |
| Borrowings | | | | | 19,640 | 21,028 |
| **Total liabilities** | | | | | **36,091** | **38,964** |

#### (iii) Revenue and assets by geographical region

The Groups revenue from external customers are divided into the following geographical areas:

| | CONSOLIDATED GROUP | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Australia | 96,832 | 101,341 |
| New Zealand | 5,262 | 3,865 |
| | **102,094** | **105,206** |

#### (iv) Major customers

The Group supplies one single external customer in the electrical, power and infrastructure segment which accounts for 22% of external revenue of the Group (2013: 22%). The next most significant customer in the electrical, power and infrastructure segment accounts for 7% (2013:5%) of external revenue of the Group. The Group supplies one single external customer in the innovative electrical solutions segment which accounts for 4% of external revenue of the Group (2013: 3%).

## Note 26: Cash Flow Information

| | NOTES | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **a. Reconciliation of cash flow from operations with profit after income tax** | | | |
| Profit after income tax | | 6,694 | 6,707 |
| **Non-cash flows in profit** | | | |
| - Depreciation and amortisation | | 2,385 | 3,066 |
| - Net (gain)/loss on disposal of property plant and equipment | | 6 | (4) |
| - Interest accrued on employee loans | | (20) | (3) |
| - Unrealised loss on foreign denominated balances | | (153) | 28 |
| - Employee option expense | | 102 | 85 |
| - Shares issued to employees | | - | 51 |
| - Bad debts written off | | - | 809 |
| **Change in assets and liabilities, net of the effect of purchase and disposal of subsidiaries** | | | |
| - Decrease/(increase) in trade receivables | | 2,214 | (237) |
| - (Increase)/decrease in current assets | | (246) | 6 |
| - (Increase) in inventories | | (1,511) | (1,370) |
| - (Increase) in deferred tax assets | | (64) | (162) |
| - Increase/(decrease) in trade payables and accruals | | 146 | (2,188) |
| - Increase in provisions | | 265 | 252 |
| - Increase/(decrease) in income tax payable | | 30 | (247) |
| - (Decrease) in deferred tax liabilities | | (95) | (152) |
| **Cash flow from operations** | | **9,753** | **6,641** |

| | | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **b. Credit standby arrangements and loan facilities with banks** | | | |
| Credit facilities | | 28,951 | 31,764 |
| Amounts utilised | | (23,376) | (24,138) |
| | | **5,575** | **7,626** |

**The Australia and New Zealand Banking Group Limited provided facilities with a total limit of $28.1 million and are summarised as follows:**

i. Interchangeable Facililty (1) with a limit of $21 million including fixed rate fully drawn advance facility and cash advance facility.

ii. Interchangeable Facililty (2) with a limit of $4.6 million including overdraft facility, standby letter of credit or guarantee facility, documentary credit issuance / documents surrendered facility and trade finance loan facility.

iii. Interchangeable Facililty (3) with a limit of $0.25 million including corporate chattel mortgage facility, corporate hire purchase facility and corporate lease finance facility.

iv. Commercial Card Facility with a limit of $0.25 million.

v. Electronic Payway Facility with a limit of $2 million.

The Australia and New Zealand Banking Group Limited will continue to provided finance so long as the Parent Entity and Consolidated Group do not breach borrowing requirements or financial ratios as detailed in Note 18.

**The ANZ Bank New Zealand Limited provided facilities with a total limit of $0.85 million and are summarised as follows:**

- $0.3 million overdraft facility.
- $0.4 million trade finance loan facility.
- $0.15 million commercial card facility and guarantee facility.

## Note 27: Share-Based Payments

On 2 November 2012, two tranches of 225,000 share options were granted to non-executive directors to accept ordinary shares at an exercise price of $0.3019 subject to vesting conditions. The first tranche was forfeited during the year as vesting conditions were not met. The remaining options are exercisable after 26 October 2014 with an expiry date of 26 November 2016. These options will vest if the volume weighted average sale price of the Share traded on ASX in the in the 20 trading days commencing on 27 October 2014 exceeds $0.45.

The options hold no voting or dividend rights and are not transferable. When a director ceases employment the options are deemed to have lapsed. Since reporting date, no director has ceased their employment.

All options granted to key management personnel are ordinary shares in Legend Corporation Limited, which confer a right of one ordinary share for every option held.

| | CONSOLIDATED GROUP | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE $ | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE $ |
| Outstanding at the beginning of the year | 450,000 | 0.30 | 450,000 | 0.49 |
| Granted | - | - | 450,000 | 0.30 |
| Exercised | - | - | - | - |
| Forfeited | (225,000) | - | (450,000 ) | 0.49 |
| **Outstanding at year-end** | **225,000** | **0.30** | **450,000** | **0.30** |
| **Exercisable at year-end** | **-** | **-** | **-** | **-** |

The options outstanding at 30 June 2014 had a weighted average exercise price of $0.30 and a weighted average remaining contractual life of 2.3 years. The share price at year end was $0.29.
Included under employee benefits expense in the statement of comprehensive income is $101,096 (2013: $135,110), which relates, in full, to equity-settled share-based payment and Group Level Incentive Plan transactions.

**Employee share plan**
The company has established an employee share plan (ESP) by which the Company's Board may issue shares to employees and executive directors of the company or its subsidiaries.

The ESP is administered in accordance with the terms of the ESP rules, which are summarised below:

- Shares may be issued under the ESP at the discretion of the Board to employees and executive directors of the company or its subsidiaries upon such terms as the Board may determine, including restrictions as to when shares issued under the ESP can be sold. Any proposed issue of shares to executive directors require shareholder approval under the Listing Rules.
- The aggregate number of shares on issue under the plan should not exceed 5% of the total number of shares on issue at any time. The number of shares which may be allocated to any one eligible employee shall be restricted so that the eligible employee is able to cast no more that 5% of votes at a General Meeting of the company.
- The company may issue shares under the ESP at a price up to the equivalent of 90% of the weighted average ASX market price for shares during the 5 trading days prior to the date of invitation to participate.
- Shares issued under the ESP will be ordinary fully paid shares in the company and from the date of issue will rank equally with all other ordinary fully paid shares in the company.
- Participants must not sell, transfer, assign, mortgage, charge or otherwise encumber a share issued under the plan until the later of the following;
  a) for shares issued for nil consideration until such time as the Board may determine in its absolute discretion;
  b) the expiry of any service continuity period specified by the company;
  c) the satisfaction of any performance criteria specified by the company.
- The company may (but is not obligated to) buy-back shares, within 12 months of cessation of employment, at a price equal to the weighted average ASX market price for shares during the 5 trading days immediately preceding the date of cessation (or $0.01 in the case of no cash consideration).

## Note 27: Share-Based Payments (Continued)

**Employee share plan (continued)**

| | NUMBER OF SHARES GRANTED | FAIR VALUE AT ISSUE DATE (PER SHARE) $ | FAIR VALUE AT ISSUE DATE (AGGREGATE) $'000 |
|---|---|---|---|
| 16 March 2004 - issued | 2,187,000 | 0.59 | 1,290 |
| 22 November 2004 - bought back | (15,500) | - | - |
| 10 December 2004 - issued | 100,000 | 0.53 | 53 |
| 30 June 2005 - issued | 855,000 | 0.60 | 513 |
| 21 October 2005 - bought back | (10,500) | - | - |
| 29 March 2006 - bought back | (46,000) | - | - |
| 22 December 2006 - issued | 268,000 | 0.775 | 208 |
| 26 August 2009 - issued | 462,863 | 0.092 | 43 |
| 16 August 2010 - issued | 196,883 | 0.164 | 32 |
| 30 September 2010 - option exercised | 300,000 | 0.100 | 30 |
| 3 November 2010 - issued | 92,001 | 0.164 | 15 |
| 29 March 2011 - issued | 40,046 | 0.340 | 14 |
| 6 September 2011 - option exercised | 150,000 | 0.100 | 15 |
| 1 November 2011 - issued | 234,375 | 0.320 | 75 |
| 18 April 2012 - issued | 14,706 | 0.340 | 5 |
| 15 August 2012- issued | 50,834 | 0.313 | 51 |
| **Total issued** | **4,879,708** | | |

**Group Level Incentive Plan**

The company has established a Group Level Incentive Plan (GLIP) which provides a collective bonus for distribution to nominated group level executives leveraged to a minimum growth requirement of 10% year on year in Net Profit Before Tax (NPBT).

Accumulation of the bonus occurs after the achievement of the minimum growth requirement, up to a maximum accumulation of 5% of NPBT.

Merger and acquisition activities attract a further hurdle of 10% on funds invested additional to the minimum growth requirement.

The minimum NPBT growth requirement for the 2014 financial year was not achieved and no shares were issued under the GLIP during the current financial year.

| | NUMBER OF SHARES GRANTED | FAIR VALUE AT ISSUE DATE (PER SHARE) $ | FAIR VALUE AT ISSUE DATE (AGGREGATE) $'000 |
|---|---|---|---|
| 15 August 2012 - issued | 1,896,774 | 0.31 | 588 |
| **Total issued** | **1,896,774** | | |

## Note 28: Events After The Reporting Period

There have been no events between 30 June 2014 and the date of these financial statements which necessitate adjustments to the statements of financial position, and comprehensive income at that date.

## Note 29: Related Party Transactions

| | NOTES | CONSOLIDATED GROUP | |
|---|---|---|---|
| | | 2014 $'000 | 2013 $'000 |

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

Transactions with related parties:

**a. Director-related entities**

| | | | |
|---|---|---|---|
| Legend Corporate Services Pty Ltd leased a property from the Backstop Property Trust, which is owned and controlled by Bradley Dowe. Lease charges for the year were: | | 21 | 115 |

## Note 30: Financial Instrument Risk

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The totals 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:

| | NOTES | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 9 | 6,577 | 5,160 |
| Loans and receivables | 10 | 15,280 | 17,500 |
| | | **21,857** | **22,660** |
| **Financial liabilities** | | | |
| Trade and other payables | 16 | 10,695 | 12,454 |
| Other financial liabilities | 17 | 66 | - |
| Borrowings | 18 | 19,640 | 21,028 |
| | | **30,401** | **33,482** |

**Financial risk management policies**

A finance committee consisting of senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The committee operates under the direction of the Board of Directors. In conjunction with the committee, the Board reviews the current strategies on a regular basis, including the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

**Specific financial risk exposure and management**

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

**a. Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The Group's policy is to minimise interest rate cash flow risk exposure on long term financing using a blend of fixed and floating interest rate debt.

**b. Foreign currency risk**

Exposure to fluctuations in foreign currencies arises from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD).

To mitigate the Group's exposure, non AUD cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policy. Due to the nature of USD denominated transactions, being relatively small in size and frequent, it is not practical to formally designate forward contracts as hedging instruments, rather management consider these contracts to be part of economic hedge arrangements. The Group continues to assess the use of derivative financial instruments and forward exchange contracts to minimise the impact of fluctuations on earnings.

## Note 30: Financial Risk Management (Continued)

### c. 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 manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to operational, investing and financing activities
- monitoring undrawn credit facilities
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- investing only in surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The Group's policy is to ensure no more than 20% of borrowings should mature in any 12-month period.

The table below reflect's an undiscounted contractual maturity analysis for financial liabilities. Bank bills have been disclosed in accordance with the approved budgeted repayment schedule and facility terms as management do not consider that there is any material risk that the Bank will terminate such facilities. The Bank does however maintain the right to terminate the facilities without notice should the Group breach any of the covenants as disclosed in Note 18: Borrowings.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from the disclosure. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

**Financial liability and financial asset maturity analysis.**

| CONSOLIDATED GROUP | WITHIN 1 YEAR 2014 $'000 | WITHIN 1 YEAR 2013 $'000 | 1 TO 5 YEARS 2014 $'000 | 1 TO 5 YEARS 2013 $'000 | OVER 5 YEARS 2014 $'000 | OVER 5 YEARS 2013 $'000 | TOTAL 2014 $'000 | TOTAL 2013 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Financial liabilities due for payment** | | | | | | | | |
| Bank bills | 3,933 | 4,058 | 18,095 | 14,259 | - | 6,574 | 22,028 | 24,891 |
| Other loans | - | 327 | - | - | - | - | - | 327 |
| Trade and other payables | 10,695 | 11,781 | - | 673 | - | - | 10,695 | 12,454 |
| **Total expected outflows** | **14,628** | **16,166** | **18,095** | **14,932** | **-** | **6,574** | **33,723** | **37,672** |

## Note 30: Financial Risk Management (Continued)

| | CONSOLIDATED GROUP 2014 $'000 | 2013 $'000 |
|---|---|---|

### d. Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments for example by granting loans and receivables to customers and placing deposits. The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at reporting date, as summarised below:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Classes of financial assets- carrying amounts: | | |
| Cash and cash equivalents | 6,577 | 5,160 |
| Trade and other receivables | 15,280 | 17,500 |
| Other financial assets | - | - |
| **Carrying amount** | **21,857** | **22,660** |

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to only deal with creditworthy counterparties.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality.

Collateral has been given in the form of personal guarantees and second registered mortgages over the properties of the directors of Cabac Electrical Pty Ltd, the acquirer of Legend Tech (RSA) Pty Ltd, which owes Legend Corporate Services Pty Ltd an amount of $297,000 included in other receivables at 30 June 2014. There are no other material amounts of collateral held as at 30 June 2014.

Some of the unimpaired trade receivables are past due at reporting date. Financial assets past due but not impaired can be shown as follows:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Less than 30 days | 320 | 2,239 |
| 30 to 59 days | 321 | 459 |
| 60 to 90 days | 90 | 148 |
| Greater than 90 days | 123 | 671 |
| **Total** | **854** | **3,517** |

The Group has no significant concentration of credit risk with any single counter party, however the top 20 customers of the Group represents approximately 66% (2013: 55%) of year end receivables. The class of assets described as Trade and Other Receivables is considered the main source of credit risk related to the Group.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

## Note 30: Financial Risk Management (Continued)

**Fair value**

*Fair value estimation*

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

| CONSOLIDATED GROUP | FOOTNOTE | 2014 NET CARRYING VALUE $'000 | 2014 FAIR VALUE $'000 | 2013 NET CARRYING VALUE $'000 | 2013 FAIR VALUE $'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | (i) | 6,577 | 6,577 | 5,160 | 5,160 |
| Trade and other receivables | (i) | 15,280 | 15,280 | 17,500 | 17,500 |
| Other financial assets | | - | - | - | - |
| **Total financial assets** | | **21,857** | **21,857** | **22,660** | **22,660** |
| **Financial liabilities** | | | | | |
| Trade and other payables | (i) | 10,695 | 10,695 | 12,454 | 12,454 |
| Bank bills | (ii) | 19,640 | 19,640 | 20,713 | 21,051 |
| Other loan | | - | - | 315 | 320 |
| **Total financial liabilities** | | **30,335** | **30,335** | **33,482** | **33,825** |

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value.

(ii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of fixed rate bank debt will differ to the carrying values.

(iii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair values of other loan provided by Macquarie Bank will differ to the carrying values.

**Sensitivity analysis**

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and exchange rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

| | CONSOLIDATED GROUP PROFIT $'000 | CONSOLIDATED GROUP EQUITY $'000 |
|---|---|---|
| **Year Ended 30 June 2014** | | |
| +/- 2% interest rates | +/- 594 | +/- 594 |
| +/- 15% $A/$US | +/- 1,755 | +/- 1,755 |
| **Year Ended 30 June 2013** | | |
| +/- 2% interest rates | +/- 242 | +/- 242 |
| +/- 15% $A/$US | +/- 1,891 | +/- 1,891 |

The percentages have been determined based on the average market volatility in interest and exchange rates in the previous 12 months

## Note 31: Legend Corporation Limited Parent Company Information

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **PARENT ENTITY** | | |
| **Assets** | | |
| **Non-current assets** | | |
| Trade and other receivables | 1,346 | 1,326 |
| Deferred tax assets | 325 | 325 |
| Other financial assets | - | - |
| Financial assets | 40,301 | 45,014 |
| **Total non-current assets** | 41,972 | 46,665 |
| **Total assets** | 41,972 | 46,665 |
| **Net assets** | **41,972** | **46,665** |
| | | |
| **EQUITY** | | |
| Issued capital | 74,281 | 74,281 |
| Reserves | 301 | 199 |
| Accumulated losses | (32,610) | (27,815) |
| **Total equity** | **41,972** | **46,665** |
| | | |
| **FINANCIAL PERFORMANCE** | | |
| Loss for the year | (4,795) | (4,035) |
| **Total comprehensive income** | **(4,795)** | **(4,035)** |

### a. Contingent liabilities of the Parent Entity

As described in Note 15b: Controlled Entities and Note 18b: Borrowings, Legend Corporation Limited is party to the cross guarantee between the wholly-owned entities of the Group under which each company guarantees the debts of the other.

## Note 32: Acquisitions

**Deferred settlement payments**

$1,800,000 was paid in deferred settlement payments during the year.

MSS Power Systems acquired 1 July 2011; final deferred payment of $1,100,000 made 31 August 2013 bringing total consideration for this acquisition to $5,500,000.

Ecco Pacific Limited selected business asset acquisition 31 October 2012; a deferred payment of $700,000 made 31 October 2013, bringing total consideration paid to date of $2,050,738. A final deferred payment of approximately $735,000 remains payable 31 October 2014.

## Note 33: Company Details

The registered office of the company is:

Legend Corporation Limited
1 Butler Drive
HENDON SA 5014

The principle places of business are:

**Legend Corporate Services Pty Ltd**

1 Butler Drive
HENDON SA 5014

**Legend Corporate Services T/A CABAC**

8 Distribution Place
SEVEN HILLS NSW 2147

**Hendon Semiconductors Pty Ltd**

1 Butler Drive
HENDON SA 5014

**MSS Fibre Systems Pty Ltd and MSS Power Systems Pty Ltd**

2/77 Bayfield Road East
BAYSWATER NORTH VIC 3135

**Ecco Pacific Limited**

15-16/761 Great South Road
PENROSE, AUCKLAND NZ 1061

# DIRECTORS' DECLARATION

1. In the opinion of the directors of Legend Corporation Limited:
   a. The consolidated financial statements and notes of Legend Corporation Limited are in accordance with the Corporations Act 2001, including;
      i. giving a true and fair view of its 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 (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b. There are reasonable grounds to believe that Legend Corporation Limited will be able to pay its debts when they become due and payable.

The company and its wholly-owned subsidiaries, Legend Corporate Services Pty Ltd, Legend Pacific Pty Ltd, Cable Accessories (Holdings) Pty Ltd, Cable Accessories (Australia) Pty Ltd, Cable Projects Pty Ltd, IES Investments Pty Ltd, Hendon Semiconductors Pty Ltd, MSS Fibre Systems Pty Ltd, MSS Power and Fibre Systems Pty Ltd, and MSS Power Systems Pty Ltd and Ecco Pacific Limited have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the year ended 30 June 2014.
3. The consolidated financial statements comply with the International Financial Reporting standards.

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

**Bruce E Higgins**
Chairman of Directors
Legend Corporation Limited

22 August 2014

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# Independent Auditor's Report
# To the Members of Legend Corporation Limited

## Report on the financial report

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

### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to 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.

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.

**Auditor's opinion**
In our opinion the financial report of Legend Corporation Limited is in accordance with the Corporations Act 2001, including:

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

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

c the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

## Report on the remuneration report

We have audited the remuneration report included in pages 33 to 39 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Legend Corporation Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 22 August 2014

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 14 July 2014.

### Substantial shareholders

The following were substantial shareholders as at 14 July 2014:

| NAME | NUMBER OF FULLY PAID ORDINARY SHARES HELD | % HELD |
|---|---|---|
| Dowe Holdings Pty Ltd | 62,304,578 | 28.38 |
| Tiga Trading Pty Ltd & Thorney Holdings Pty Ltd & Thorney Pty Ltd | 36,850,000 | 16.95 |
| Keith Knowles | 14,626,062 | 6.66 |

### Voting rights

| | |
|---|---|
| Ordinary shares | Subject to any rights or restrictions attached to any class of shares, at a meeting of members, on a show of hands, each member present (in person, by proxy, attorney or representative) has one vote and on a poll, each member present (in person, by proxy, attorney or representative) has one vote for each fully paid share they hold. |
| Options | No voting rights. |

### Distribution of equity security holders

| HOLDING | HOLDERS OF ORDINARY SHARES | % OF ISSUED CAPITAL |
|---|---|---|
| 1 – 1000 | 127 | 0.02 |
| 1,001 – 5,000 | 283 | 0.39 |
| 5,001 – 10,000 | 194 | 0.73 |
| 10,001 – 100,000 | 645 | 11.24 |
| 100,001 – and over | 140 | 87.62 |
| Total number of security holders | 1,389 | 100.00 |

### Unmarketable Parcels

| | MINIMUM PARCEL SIZE | NUMBER OF HOLDERS | UNITS |
|---|---|---|---|
| Ordinary Shares | $500.00 at $0.315/unit | 168 | 85,558 |

### Securities exchange listing

The Company is listed on the Australian Securities Exchange.

### On market buy-back

There is currently no on-market buy back for any of the Company's securities.

**Twenty largest shareholders – ordinary shares as at 14 July 2014**

| NAME | NUMBER OF FULLY PAID ORDINARY SHARES HELD | % HELD |
|---|---|---|
| Dowe Holdings Pty Ltd | 57,760,460 | 26.31 |
| UBS Nominees Limited | 30,157,500 | 13.74 |
| J P Morgan Nominees Australia Limited | 12,398,943 | 5.65 |
| Keith Knowles | 10,711,182 | 4.88 |
| HSBC Custody Nominees Australia Limited | 8,171,113 | 3.72 |
| National Nominees Limited | 7,911,814 | 3.60 |
| Cornish Group Investments Pty Ltd | 3,500,000 | 1.59 |
| Dowe Family Superannuation Fund | 3,250,000 | 1.48 |
| Parks Australia Pty Ltd | 3,216,823 | 1.47 |
| Mrs Ruth Janine Higgins | 3,143,850 | 1.43 |
| MFM Properties Pty Ltd | 2,969,048 | 1.35 |
| M R and J N Simpson | 2,549,473 | 1.16 |
| J and S D Yates | 2,500,000 | 1.14 |
| P and J Higgins | 2,000,000 | 0.91 |
| BNP Paribas Nominees NZ Limited | 2,000,000 | 0.91 |
| Mrs Valmae Margaret Buckley | 1,841,000 | 0.84 |
| Mrs Edna Knowles | 1,807,117 | 0.82 |
| M and J Potter Pty Ltd | 1,600,000 | 0.73 |
| Mr Con Panayotopoulos | 1,375,000 | 0.63 |
| Backstop Pty Ltd | 1,294,118 | 0.59 |
| **TOTAL** | **160,157,441** | **72.96** |

**Restricted and Escrowed Securities**

Shares issued under the Group Level Incentive Plan to key management personnel total 1,896,774. These shares are ordinary shares having the same voting rights and rights to dividends as other issued capital. The shares however have a three year vesting period from the date of issues and can only be traded after the repayment of the loan provided by the Company to fund the purchase of these shares.

**Unissued equity securities**

A total of 225,000 unquoted options are on issue under the Legend Corporation Limited Employee Option Plan. Option holders will be entitled on the payment of the exercise price per share to be allotted one ordinary fully paid share in the Company for each Option exercised. Options are exercisable in whole or in part until the expiry date. Any Options not exercised before expiry will lapse.

# Directory Of Offices

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**Perth**

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LEGEND
CORPORATION

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