



# **ADG GLOBAL SUPPLY LIMITED**

## **ABN 16 082 341 197**

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Appendix 4E Preliminary Final Report

For the Financial Year ended  
**30 June 2014**

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This Preliminary Final Report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

**Current Reporting Period:**

**Financial Year ended 30 June 2014**

**Previous Corresponding Period:**

**Financial Year ended 30 June 2013**

# Appendix 4E Preliminary Final Report

for the year ended 30 June 2014

Revenue and Net Profit/(Loss)				
	NOTE	MOVEMENT	CHANGE %	AMOUNT \$'000
Revenue from ordinary activities	(a)	Down	53%	37,015
Earnings before interest and taxation	-	Down	802%	(16,795)
Loss after tax attributable to members	-	Down	1,647%	(18,009)
Net loss attributable to members	-	Down	1,647%	(18,009)

Note (a) - excludes interest income

Dividends (Distributions)		
	AMOUNT PER SECURITY	FRANKED AMOUNT PER SECURITY
Final Dividend	-	-
Interim Dividend	-	-
<b>Record date for determining entitlements to the dividend:</b>		
• Final dividend	Not Applicable	
• Interim dividend	Not Applicable	

No dividends were recommended, declared or paid during the period.

The directors do not propose to recommend the payment of a dividend in respect of the period.

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for the year ended 30 June 2014

## Brief Explanation of Revenue and Net Results

ADG Global Supply Limited's earnings before interest and taxation for the year ended 30 June 2014 is a loss of \$5.1 million before impairment of \$3.9 million for inventory and \$7.8 million for goodwill (2013: loss \$1.0 million), with net loss after tax of \$18.0 million (2013: loss \$1.0 million). The impairments recognise the challenges presented by current market conditions, and the impact to FY2014 trading results. The Board has taken a prudent approach to raise necessary impairment provisions to realign inventory to current market value and write off all goodwill in the balance sheet in this financial year.

ADG also wrote back deferred tax assets of \$0.6 million relating to carried forward tax losses in light of the results for the year.

Revenue for the 2014 financial year was \$37.0 million (2013: \$79.4 million) with gross profit before inventory impairment of \$4.6 million (2013: \$10.9 million).

	2014 ¢	2013 ¢
<b>Net tangible assets per security (cents per share)</b>	0.86¢	4.29¢

## Control gained over entities having a material effect

Not applicable

## Details of associates and joint arrangements

In July 2013, a Joint Venture Agreement was signed between ADG Global Supply and Matera Supply Pty Ltd. Principle activity of Matera Supply is sales of industrial and safety products and procurement services to Australian clients. The company operates as a majority owned Indigenous business with a strong mandate for Indigenous employment, training and local community engagement.


ADG Global Supply is a 30% owner in Matera Supply Pty Ltd.

## Compliance Statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Interpretations or other standards acceptable to ASX.

2 This report is based on the accounts which are in the process of being audited.

## SIGNED:



**Company Secretary**

DATE: 29 August 2014

# Appendix 4E Preliminary Final Report

for the year ended 30 June 2014

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

		NOTES	CONSOLIDATED	
			30 JUNE 2014 \$'000	30 JUNE 2013 \$'000
<b>Revenue</b>			<b>37,015</b>	<b>79,374</b>
Other income			7	10
<b>Expenses from continuing operations</b>				
Raw materials and consumables used	6		(36,307)	(68,628)
Employee benefits expense			(4,844)	(7,953)
Impairment of intangible assets	5		(7,818)	-
Depreciation and amortisation expense			(409)	(551)
Other expenses			(4,432)	(3,298)
Finance costs			(562)	(475)
<b>Loss from operations before income tax</b>			<b>(17,350)</b>	<b>(1,521)</b>
Income tax expense			(659)	490
<b>Net loss attributable to the members of ADG Global Supply Limited</b>			<b>(18,009)</b>	<b>(1,031)</b>
<b>Other comprehensive income</b>				
Cash flow hedges:				
o Gain taken to equity			-	41
o Foreign currency translation reserve			131	195
Other comprehensive income for the period (net of tax)			131	236
<b>Total Comprehensive Income attributable to the members of ADG Global Supply Limited</b>			<b>(17,878)</b>	<b>(795)</b>
Loss per share (cents per share)				
- basic loss per share	7		(6.10)	(0.42)
- diluted loss per share	7		(6.10)	(0.42)
Dividends paid per share (cents per share)			-	-

*The accompanying notes form part of these financial statements*

# Appendix 4E Preliminary Final Report

for the year ended 30 June 2014

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

NOTES		CONSOLIDATED	
		30 JUNE 2014	30 JUNE 2013
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	2A	226	2,895
Trade and other receivables		9,502	14,298
Inventory		4,969	9,100
Income tax receivable		-	162
Other assets		1,198	1,087
Total Current Assets		15,895	27,542
Non-Current Assets			
Deferred tax asset		-	584
Property, plant and equipment		870	1,115
Intangible assets		102	8,099
Total Non-Current assets		972	9,798
TOTAL ASSETS		16,867	37,340
LIABILITIES			
Current liabilities			
Trade and other payables		6,279	8,134
Income tax payable		70	-
Interest-bearing loans and borrowings	3	7,310	5,049
Provisions		271	443
Total Current Liabilities		13,930	13,626
Non-Current Liabilities			
Interest bearing loans and borrowings	3	-	3,179
Provisions		107	88
Total Non-Current Liabilities		107	3,267
TOTAL LIABILITIES		14,037	16,893
NET ASSETS		2,830	20,447
EQUITY			
Contributed equity		18,684	18,399
Options valuation reserve		378	402
Foreign exchange translation reserve		331	200
Retained earnings		(16,563)	1,446
TOTAL EQUITY		2,830	20,447

The accompanying notes form part of these financial statements

# Appendix 4E Preliminary Final Report

for the year ended 30 June 2014

## CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED	
		30 JUNE 2014	30 JUNE 2013
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		40,078	88,245
Payments to suppliers and employees		(41,678)	(88,798)
Interest received		7	10
Interest paid		(562)	(475)
Net income tax refund/(paid)		157	(553)
<b>Net cash flows used in operating activities</b>	2B	<b>(1,998)</b>	<b>(1,571)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of business		-	(1,190)
Proceeds from sale of property, plant and equipment		-	55
Purchase of property, plant and equipment		(36)	(1,052)
Purchase of intangible assets		(3)	(231)
<b>Net cash flows used in investing activities</b>		<b>(39)</b>	<b>(2,418)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		285	3,090
Transactions costs relating to issue of shares (net)		-	(159)
Net proceeds from borrowings		(917)	2,519
<b>Net cash flows used in / from financing activities</b>		<b>(632)</b>	<b>5,450</b>
Net (decrease)/increase in cash and cash equivalents		(2,669)	1,461
Cash and cash equivalents at beginning of year		2,895	1,434
<b>Cash and cash equivalents at end of the year</b>		<b>226</b>	<b>2,895</b>
<b>RECONCILIATION OF CASH</b>			
Cash at bank and in hand		226	2,895
		<b>226</b>	<b>2,895</b>

*The accompanying notes form part of these financial statements*

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for the year ended 30 June 2014

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED	Note	Contributed equity \$'000	Options valuation reserve \$'000	Cashflow hedge reserve \$'000	Foreign exchange translation reserve \$'000	Retained earnings / (cumulative losses) \$'000	Total Equity \$'000
<b>At 1 July 2012</b>		<b>15,468</b>	<b>406</b>	<b>(41)</b>	<b>5</b>	<b>2,477</b>	<b>18,315</b>
Loss for the year		-	-	-	-	(1,031)	(1,031)
Other comprehensive income for the period (net of tax)		-	-	41	-	-	41
Total comprehensive income/(loss) for the period		-	-	41	-	(1,031)	(990)
<b>Transactions with owners, in their capacity as owners</b>							
Issue of ordinary shares		3,090	-	-	-	-	3,090
Transaction costs on ordinary shares issued		(159)	-	-	-	-	(159)
Net value of options issued/cancelled during the period		-	(4)	-	-	-	(4)
Foreign exchange translation		-	-	-	195	-	195
<b>At 30 June 2013</b>		<b>18,399</b>	<b>402</b>	<b>-</b>	<b>200</b>	<b>1,446</b>	<b>20,447</b>
<b>At 1 July 2013</b>		<b>18,399</b>	<b>402</b>	<b>-</b>	<b>200</b>	<b>1,446</b>	<b>20,447</b>
Loss for the year		-	-	-	-	(18,009)	(18,009)
Other comprehensive income for the period (net of tax)		-	-	-	131	-	131
Total comprehensive income/(loss) for the period		-	-	-	131	(18,009)	(17,878)
<b>Transactions with owners, in their capacity as owners</b>							
Issue of ordinary shares		285	-	-	-	-	285
Transaction costs on ordinary shares issued		-	-	-	-	-	-
Net value of options issued/cancelled during the period		-	(24)	-	-	-	(24)
<b>At 30 June 2014</b>		<b>18,684</b>	<b>378</b>	<b>-</b>	<b>331</b>	<b>(16,563)</b>	<b>2,830</b>

The accompanying notes form part of these financial statements

## 1. Summary of Significant Accounting Policies

This Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. As such, the consolidated preliminary final report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance and financial position as the full financial report. It is recommended that the consolidated preliminary final report be considered together with any public announcements made by the Company in accordance with the continuous disclosure obligations of the Australian Securities Exchange Listing Rules. The accounting policies adopted are consistent with those of the previous financial year.

### Rounding Off of Amounts

The Company is a Company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars unless otherwise indicated.

### Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred losses before tax of \$17.4 million (2013: loss before tax \$1.5 million) and had net cash outflows from operating activities of \$2.0 million (2013: outflow of \$1.6 million) for the year ended 30 June 2014. These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern after consideration of the following factors:

- The consolidated entity has signed a number of contracts that underpin future growth in revenue and earnings and anticipates trading improvement in FY 2015;
- The consolidated entity is forecasting to trade cash flow positively within the next 12 months, which is anticipated to reduce inventory levels;
- The consolidated entity has reduced operational cost levels to enable it to meet its ongoing commitments and has the ability to reduce costs further, should trading not improve; and
- The ability of the consolidated entity to issue additional equity, pursuant to the *Corporations Act 2001*.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets and liabilities that might be necessary if the consolidated entity does not continue as a going concern.



# Appendix 4E Preliminary Final Report

for the year ended 30 June 2014

## 2. CASH FLOW INFORMATION

### A) Cash and cash equivalents

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Cash at bank and on hand	226	2,895
	<b>226</b>	<b>2,895</b>

### B) Reconciliation of net profit after tax to net cash flows from operations

Reconciliation of net profit after tax to the net cash flows from operations	CONSOLIDATED	
	30 JUNE 2014 \$'000	30 JUNE 2013 \$'000
Net loss after taxation	(18,009)	(1,031)
<b>ADJUSTMENTS FOR:</b>		
Depreciation and amortisation	408	551
Options valuation expense	16	(3)
Net loss on disposal of property, plant and equipment	-	1
Impairment of intangible assets	7,818	-
Inventory provision	3,901	-
Bad debt write off	1,733	-
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Decrease/(increase) in inventories	230	(3,379)
Decrease in trade and other receivables	3,063	8,871
(Increase)/decrease in other assets	(111)	1,292
Decrease/(increase) in net deferred income tax assets	584	(223)
Increase/(decrease) in tax provision	232	(801)
(Decrease) in trade and other payables	(1,709)	(6,879)
(Decrease)/increase in provisions	(154)	30
<b>Net cash flows used in operating activities</b>	<b>(1,998)</b>	<b>(1,571)</b>

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## 3. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings are comprised of the following:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>CURRENT</b>		
Interchange facility 1 (a)	2,800	400
Interchange facility 2 (b)	2,000	2,000
Interchange facility 3 (c)	1,768	2,499
Asset purchase facility (d)	382	150
Trade facility (e)	213	-
Overdraft facility (f)	147	-
	7,310	5,049
<b>NON-CURRENT</b>		
Interchange facility 1 (a)	-	2,800
Asset purchase facility (d)	-	379
	-	3,179
	7,310	8,228

The principal terms of the loans are as follows:

(a) *Interchange facility 1*

- Provided by ANZ Bank, Australia
- Repayments are payable monthly at a rate of \$33,333 per month.
- Interest rate at 30 June 2014 is 2.70% per annum (2013: 2.87%).

The consolidated entity has granted security over the assets of the Consolidated Entity.

(b) *Interchange facility 2*

- Provided by ANZ Bank, Australia
- Interest rate as at 30 June 2014 is 4.34% per annum (2013: 2.86%).

The consolidated entity has granted security over the assets of the Consolidated Entity.

(c) *Interchange facility 3*

- Provided by ANZ Bank, Australia
- Interest rate as at 30 June 2014 is 9.34% per annum (2013: 2.35%).

The consolidated entity has granted security over the assets of the Consolidated Entity.

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for the year ended 30 June 2014

## 3. INTEREST BEARING LOANS AND BORROWINGS (Continued)

### (d) Asset purchase facility

- Provided by ANZ Bank, Australia
- Repayments are payable monthly until maturity on 30 November 2017.
- Interest rate at 30 June 2014 is 7.06% per annum (2013: 7.06%).

The security is over specific items of plant and equipment financed by this facility.

### (e) Trade facility

- Provided by Speedmark Australia Pty Ltd, Australia
- Interest rate at 30 June 2014 is 14% per annum (2013: N/A).

The security is over security deposits financed by this facility.

### (f) Overdraft facility

- Provided by Nat West Bank, UK
- Interest rate at 30 June 2014 is Bank of England base rate plus 4.45% per annum (2013: N/A).

The security is over assets of a controlled entity.

## 4. CONTRIBUTED EQUITY

### Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	CONSOLIDATED	
	2014	2013
	NUMBER	NUMBER
<b>ORDINARY SHARES</b>		
Issued and fully paid	316,456,218	287,956,218

	DATE	NUMBER	\$000
<b>MOVEMENT IN ORDINARY SHARES ON ISSUE</b>			
At 1 July 2013		<b>287,956,218</b>	<b>18,399</b>
Share placement #	31/03/2014	28,500,000	285
Share issuance cost		-	-
<b>Closing number of securities</b>		<b>316,456,218</b>	<b>18,684</b>

# On the 31<sup>st</sup> March 2014, the Company issued 28,500,000 ordinary shares under a share placement to participating investors at 1.0 cent per share.

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## 5. IMPAIRMENT OF INTANGIBLE ASSETS

The consolidated entity performed an impairment review of its goodwill balance in accordance with Australian Accounting Standards. This was conducted as at 30 June 2014 using prudent assumptions about future economic activity. This review resulted in a goodwill impairment expense of \$7.818 million in the period.

## 6. INVENTORY PROVISION

The consolidated entity performed a review of current inventory holdings. This was conducted as at 30 June 2014 using prudent assumptions regarding net realisable value of inventory. This review resulted in an impairment provision of \$3.901 million as at 30 June 2014. This balance is included in the *raw materials and consumables used* expense line in the statement of profit or loss and other comprehensive income.

## 7. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options).

The following reflects the income and share data used in the total operations' basic and diluted earnings per share computations:

CONSOLIDATED		
	2014	2013
	\$'000	\$'000
<b>Net (loss) attributable to ordinary shareholders for basic earnings per share</b>	<b>(18,009)</b>	<b>(1,031)</b>
Effect of dilutive equity instruments	-	-
<b>Net (loss) attributable to ordinary shareholders for diluted earnings per share</b>	<b>(18,009)</b>	<b>(1,031)</b>
	NUMBER OF SHARES	NUMBER OF SHARES
<b>Weighted average number of ordinary shares for basic earnings per share</b>	<b>295,061,697</b>	<b>247,708,354</b>
Effect of dilution	-	-
<b>Adjusted weighted average number of ordinary shares for diluted earnings per share</b>	<b>295,061,697</b>	<b>247,708,354</b>
<b>Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share</b>	<b>-</b>	<b>-</b>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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for the year ended 30 June 2014

## 8. SEGMENT INFORMATION

### Products and services from which reportable segments derive their revenues

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Industrial Products includes products that are manufactured and/or distributed by the Company including safety products, products for MRO (maintenance, repairs & operations) and off -the-road tyres.

Global Procurement is a service which assists clients with purchasing and supply of a range of goods and capital equipment to site.

Supply Chain covers a comprehensive range of logistics, in-country support, freight forwarding and project logistics services.

Transfer prices between operating segments are set at an arms-length basis in a manner similar to transactions with third parties.

The following tables present revenue and loss information regarding operating segments for the year ended 30 June 2014.

	INDUSTRIAL PRODUCTS	GLOBAL PROCUREMENT	SUPPLY CHAIN	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>YEAR ENDED 30 JUNE 2014</b>				
<b>Revenue</b>				
Sales to external customers	2,773	26,223	8,019	37,015
Other revenues from external customers	-	-	-	7
Total segment revenue	2,773	26,223	8,019	37,022
<b>Result</b>				
Operating loss				(5,069)
Impairment of intangible assets				(7,818)
Inventory provision				(3,901)
Finance costs				(562)
Loss before income tax				(17,350)
Income tax expense				(659)
Net loss for the year				(18,009)
<b>Assets and liabilities</b>				
Segment assets	4,737	10,532	401	15,670
Unallocated assets	-	-	-	1,197
Total assets				16,867
Segment liabilities	704	5,950	-	6,654
Unallocated liabilities	-	-	-	7,383
Total liabilities				14,037

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	INDUSTRIAL PRODUCTS	GLOBAL PROCUREMENT	SUPPLY CHAIN	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>YEAR ENDED 30 JUNE 2013</b>				
<b>Revenue</b>				
Sales to external customers	31,917	32,633	14,824	79,374
Other revenues from external customers	-	-	-	10
Total segment revenue	31,917	32,633	14,824	79,384
<b>Result</b>				
Operating loss				(1,046)
Finance costs				(475)
Loss before income tax				(1,521)
Income tax expense				490
Net loss for the year				(1,031)
<b>Assets and liabilities</b>				
Segment assets	14,118	9,865	528	24,511
Unallocated assets	-	-	-	12,829
Total assets				37,340
Segment liabilities	1,427	5,917	515	7,859
Unallocated liabilities	-	-	-	9,034
Total liabilities				16,893