



## Appendix 4E Preliminary Financial Report

For the year ended 30 June 2014  
(incorporating information pursuant to ASX Listing Rule 4.3A)



Quickflix Limited &  
Consolidated Entities

Quickflix Limited ABN 62 102 459 352

The information to be disclosed by ASX Listing Rule 4.3A  
is set out in the accompanying ASX Appendix 4E - Result  
Summary and the Unaudited Annual Financial Report.

# ASX Appendix 4E – Results Summary

For the year ended 30 June 2014

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period ("2014"): year ended 30 June 2014

Previous corresponding period ("2013"): year ended 30 June 2013

Financial results				2014 \$
Revenue from ordinary activities	down	6%	to	18,043,965
Loss from ordinary activities after tax attributable to members	up	58%	to	(10,157,128)
Net loss for the period attributable to members	up	58%	to	(10,157,128)
Dividends				Cents per ordinary share
Final				Nil*
Interim				Nil*
*No dividends have been declared or are payable for the periods ended 30 June 2014				

	2014	2013
Tangible assets per ordinary share		
Net tangible assets per share (cents)	(0.012)	(0.018)

Quickflix achieved strong customer growth in the second half of the year resulting in total customers increasing by 27 per cent for the full year to 135,690 at 30 June 2014 and paying customers increasing by 21 per cent in the year to 122,862. The growth in customers was achieved in the second half of the year reversing a customer decline in the first-half. Revenue for the full year of \$18 million was 6 per cent lower than the previous year affected by the softer first-half. The stronger second-half revenue of \$9.4 million was 9 per cent higher than the first-half reflecting the return to paying customer growth.

Operating costs before customer acquisition costs reduced by 2 per cent to \$23.2 million for the year. Increases in the cost of streaming content and the streaming platform were offset by lower DVD content expenditure and savings in the DVD fulfilment operations. Marketing and free trial service costs were increased by 77 per cent to \$5.5 million to drive customer growth. The net loss for the full year increased by 58 per cent to \$10.2 million as the Company increased expenditure on customer acquisition and streaming content to drive customer growth. Cash at bank at 30 June 2014 was \$2.4 million.

### Audit of the account upon which this report is based

The accounts are in the process of being audited. At this point in time, we expect our auditors to issue an unqualified opinion with an emphasis of matter regarding continuation as a going concern, which is similar in nature to the audit report issued for the year ended 30 June 2013.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated Entity	
	Note	2014 (unaudited) \$	2013 \$
<b>Revenue from continuing operations</b>	2	<b>18,043,965</b>	<b>19,235,089</b>
Depreciation and amortisation expenses		(5,198,669)	(5,734,238)
Impairment of non-financial assets		(77,816)	-
Finance expenses		(453,832)	(568,870)
Employee and contractor expenses		(6,934,017)	(7,366,928)
General and administrative expenses		(1,235,840)	(1,610,776)
Occupancy expenses		(997,727)	(816,139)
Content and distribution expenses		(9,313,852)	(8,229,782)
Marketing Expenses		(3,242,730)	(1,713,881)
Technology expenses		(1,647,460)	(1,225,853)
<b>Loss before income tax</b>	3	<b>(11,057,978)</b>	<b>(8,031,378)</b>
Income tax refund/ (expense)	4	900,850	1,606,781
<b>Loss for the year after tax</b>		<b>(10,157,128)</b>	<b>(6,424,597)</b>
Other comprehensive income			
– exchange differences on foreign operations		(12,026)	(12,370)
<b>Total comprehensive income for the year</b>		<b>(10,169,154)</b>	<b>(6,436,967)</b>
<b>Total comprehensive income is attributable to:</b>			
Owners of Quickflix Limited		(10,169,154)	(6,436,967)
Non-controlling interest		-	-
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted loss per share (cents per share)	7	(1.07)	(1.35)

The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

		Consolidated Entity	
	Note	2014 (unaudited) \$	2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,410,824	2,319,831
Trade and other receivables	9	100,893	349,983
Inventories	10	159,471	308,813
Other current assets	14	697,921	391,683
<b>TOTAL CURRENT ASSETS</b>		<b>3,369,109</b>	<b>3,370,310</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	2,547,760	3,212,441
Intangible assets	13	3,277,262	3,624,877
Other financial assets	15	622,165	386,073
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,447,187</b>	<b>7,223,391</b>
<b>TOTAL ASSETS</b>		<b>9,816,296</b>	<b>10,593,701</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	8,053,917	4,401,126
Unearned revenue	16	1,060,314	994,178
Redeemable preference shares	17	10,939,811	10,514,655
Provisions	19	298,015	228,211
Other financial liabilities	20	6,045	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>20,358,102</b>	<b>16,138,170</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	18	-	914,844
Provisions	19	59,321	66,944
Other financial liabilities	20	37,137	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>96,458</b>	<b>981,788</b>
<b>TOTAL LIABILITIES</b>		<b>20,454,560</b>	<b>17,119,958</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>(10,638,264)</b>	<b>(6,526,257)</b>
<b>EQUITY</b>			
Issued capital	21	39,865,063	34,271,571
Reserves	22	1,663,932	1,212,303
Accumulated losses		(52,167,259)	(42,010,131)
<b>TOTAL EQUITY / (DEFICIENCY)</b>		<b>(10,638,264)</b>	<b>(6,526,257)</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity \$	Accumulated losses \$	Share/option reserve \$	Foreign currency translation reserve \$	Total \$
<b>CONSOLIDATED ENTITY</b>					
<b>Balance at 30 June 2012</b>	32,622,125	(35,585,534)	1,094,265	-	(1,869,144)
Total comprehensive loss for the year	-	(6,424,597)	-	(12,370)	(6,436,967)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	1,649,446	-	(66,600)	-	1,582,846
Performance Rights	-	-	19,913	-	19,913
Director and employee share options	-	-	177,095	-	177,095
Sub-total	1,649,446	(6,424,597)	130,408	(12,370)	(4,657,113)
<b>Balance at 30 June 2013</b>	34,271,571	(42,010,131)	1,224,673	(12,370)	(6,526,257)
Total comprehensive loss for the year		(10,157,128)		(12,026)	(10,169,154)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity, net of transaction costs	5,593,492	-	-	-	5,593,492
Performance Rights	-	-	245,583	-	245,583
Director and employee share options	-	-	218,072	-	218,072
Sub-total	5,593,492	(10,157,128)	463,655	(12,026)	(4,112,007)
<b>Balance at 30 June 2014</b>	<b>39,865,063</b>	<b>(52,167,259)</b>	<b>1,688,328</b>	<b>(24,396)</b>	<b>(10,638,264)</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash flows

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated Entity			
	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		20,128,128	21,028,185
Payments to suppliers and employees		(21,049,460)	(24,215,732)
Interest received		60,893	77,033
Finance costs		(28,676)	(75,633)
Income tax refund		900,850	1,606,781
Net cash from / (used in) operating activities	25	11,735	(1,579,366)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment and intangible		(2,147,164)	(2,304,970)
Purchase of other non-current assets		(2,070,979)	(2,028,720)
Security deposits		(236,092)	-
Net cash used in investing activities		(4,454,235)	(4,333,690)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		5,124,876	1,815,277
Proceeds from borrowings		-	863,470
Payment of share issue costs		(591,383)	(165,831)
Net cash provided by financing activities		4,533,493	2,512,916
Net decrease in cash held		90,993	(3,400,140)
Cash at beginning of financial year		2,319,831	5,719,971
Cash at end of financial year	8	2,410,824	2,319,831

The accompanying notes form part of these financial statements.

# Notes to the consolidated financial statements (unaudited)

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report covers the consolidated entity of Quickflix Limited and its controlled entities, and Quickflix Limited as an individual parent entity. Quickflix Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorised for issue by the Directors on 29 August 2014.

### Nature of operations

#### Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts presented are Australian dollars unless otherwise stated.

Compliance with IFRS

The consolidated financial statements of the Quickflix Limited group and the separate financial statements of Quickflix Limited also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### Accounting policies

#### a. Principles of consolidation

A controlled entity is any entity Quickflix Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

Particulars of controlled entities are contained in Note 11 to the financial statements. The controlled entities have a June financial year-end.

All inter-company balances and transactions in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies

of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

#### b. Business combinations

The Group applies the acquisition method in accounting for 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 acquiree'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 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 acquire and c) acquisition-date fair value of any existing equity interest in the acquire, 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. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO. The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors and Chief Executive Officer in assessing and determining the allocation of resources. The Group operates in one business segment.

#### d. Preparation of report on going concern basis

Attention is drawn to the fact that the consolidated entity incurred a net loss of \$10,157,128 during the year ended 30 June 2014 and had net operating cash inflows of \$11,735 and a deficiency of assets of \$10,638,264. Notwithstanding these matters, the financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors consider this to be appropriate for the following reasons:

- the projected cash flow through the implementation of its current business plan;
- the ability to vary the consolidated entity's cost structure and in turn the level of cash burn dependent on the level of achievement of certain milestones within the business plan; and
- the demonstrated ability to obtain funding through debt and equity issues as required.

All of the above give the Directors confidence that the consolidated entity will be able to continue its operations into the foreseeable future. Please also refer to Directors report for events subsequent to balance date.

#### e. Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of

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

#### f. Inventories

Inventories are measured at the lower of cost and net realisable value.

#### g. Property, plant and equipment

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

##### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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

##### DVD library

DVDs purchased for hire are capitalised and depreciated over three years using the diminishing value method of depreciation. The effective life of a DVD available for hire has been estimated based on the premise that a percentage of DVDs will be lost, broken or sold during their useful life.

##### Depreciation

Depreciation on computer and office equipment is provided on a diminishing value basis over the estimated useful life of those assets.

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

Class of Fixed Asset	Method	Depreciation Rate
Office equipment	Straight line	7.5 – 37.5%
DVD library	Diminishing	33%
Computer equipment and software	Straight line	37.5%
Leasehold improvement	Straight line	23.53%
Motor vehicle	Diminishing	12.5%



The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

#### **h. Leases**

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

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

Operating lease payments are expensed on a straight line basis over the lease term, representative of the time pattern of benefits derived.

#### **i. Financial Instruments**

##### **Recognition**

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

##### **Fair value**

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

##### **Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the profit and loss.

#### **j. Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss.

Impairment testing is performed annually for goodwill and 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.

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

#### **k. Intangibles**

##### **Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### **Digital Content and Ingest Costs**

The digital content library is amortised on a straight-line basis over each title's contractual window of availability which typically ranges from six months to five years. Digital content ingest costs are amortised on a straight-line basis over 3 years.

##### **Technology and digital platform costs**

Expenditure on the research phase of projects to develop new internally generated technology and digital platforms are recognised as an expense as incurred. Technology and digital platform costs are amortised on a straight-line basis over 3 years.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the platforms; and
- the platforms will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs, include employee (other than directors) costs, incurred on technology and digital platform development along with an appropriate portion of relevant overheads.

##### **Subsequent measurement**

All intangible assets, including those developed internally, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 1(j). The useful lives are applied:

- Technology and digital platform: 3 years

Any capitalised internally developed platform that is not yet complete is not amortised but is subject to impairment testing as described in Note 1(j).

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

#### **l. 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.

#### **m. Employee benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. These benefits include wages and salaries, superannuation, annual leave and long service leave. These benefits are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled and are expected to be settled within 12 months of the reporting date.

#### **n. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **o. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### **p. Revenue**

Membership revenue is recognised on a proportional time basis over the monthly membership period. The unexpired term of the membership period is treated as unearned income.

Pay per view revenue is recognised when customer redeems the right to stream the movie or TV title. DVD sales revenue is recognised at the time of delivery.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

#### **q. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### **r. 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 balance sheet are shown inclusive of GST.

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

#### **s. Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

##### **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 including property, plant and equipment, identifiable intangible assets and goodwill. Where an impairment trigger exists, the fair value less costs to sell is determined. In assessing recoverable amounts an estimate of the average fair value less cost to sell per DVD, \$9.95 (2013: \$11.20) is incorporated. A material change to this key assumption could result in a material adjustment to the carrying values of non-current assets.

##### **Key estimates – share based payments**

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Management have used Black Scholes methodology in the calculation of share options.

##### **Key estimates - capitalisation of technology and digital platform**

Management monitors and reviews the capitalisation of employee costs in line with the project plans and their progress. At the review stage, the percentage of capitalisation of employee costs are reviewed and determined by the estimated number of hours worked on relevant projects determined by management.

##### **Key judgement – settlement of loan funds**

The company has determined that the fair value relating to the issue of shares to parties for the settlement of loan funds that was announced November 2013 is based on the issue price of shares issued via placements and purchase plans immediately preceding and at the same time that the share issue occurred.

### Key judgement - digital content

Quickflix obtains content distribution rights in order to stream TV shows and movies to subscribers' TVs, computers and mobile devices. These content rights are obtained through license agreements from studios which may have multiple windows of availability for the titles.

There are three different ways in which the license fees can be charged in the license agreements:

1. Fixed-fee per year;
2. Cost Per Subscriber ("CPS") on a periodic basis; and
3. Hybrid where greater of minimum guarantee ("MG") amount per year or CPS is charged. Generally, agreements with fixed fee and MG amounts are paid upfront on a periodic basis and CPS amounts are paid in arrears.

License fees for streaming contents may or may not be treated as digital content library (assets). When the streaming license fee is known or reasonably determinable for a specific title and the specific title is first available for streaming to subscribers, the title is recognised as "current digital content library" for the portion available for streaming within one year and as "Non-current digital content" for the remaining portion.

The digital content library is amortised on a straight-line basis over each title's contractual window of availability which typically ranges from six months to five years.

For the titles recognised in digital content, the license fees due but not paid are classified as "Content accounts payable" for the amounts due within one year and as "Non-current content liabilities" for the amounts due beyond one year.

Payments for the titles not yet available for streaming are not yet recognised in the digital content library but in prepaid content.

Minimum commitments for the titles not yet available for streaming are not recognised as digital content and are included in the accounting notes under commitments.

When the streaming license fee is not known or reasonably determinable for a specific title, the title does not meet the criteria for asset recognition in the digital content library. Titles do not meet the criteria for asset recognition in the digital content library because the underlying license agreement does not specify the number of titles or the license fee per title or the windows of availability per title, so that the license fee is not known or reasonably determinable for a specific title.

Typical payment terms for these agreements, which can range from one year to five years, require fixed payments or MG amounts on a periodic basis over the license term. Prepaid content is recorded on the Consolidated Balance Sheet and amortised on a straight-line basis over the prepaid period. License fees charged on Cost Per Subscriber are recognised in the relevant periods as expense.

### t. Share-based employee remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly

by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

### u. Foreign currency translation

#### Functional and presentation currency

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

#### Foreign currency transactions and balances

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 are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

#### Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has 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 AUD 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.

**NOTE 2: REVENUE FROM CONTINUING OPERATIONS**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>From continuing operations</b>		
Membership revenue	16,826,261	18,644,438
Pay per view revenue	1,021,432	194,593
DVD sales	112,074	220,390
Other revenue	23,305	98,635
Interest received	60,893	77,033
Total revenue	18,043,965	19,235,089

**NOTE 3: LOSS BEFORE INCOME TAX**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Finance costs:		
Borrowing costs – Redeemable preference shares	425,156	514,655
Borrowing costs – Loan facility	25,030	51,374
External parties	3,646	2,841
Total finance costs	453,832	568,870
Depreciation of non-current assets:		
Fixed assets	303,046	361,400
DVD library	2,555,576	3,264,315
Total depreciation non-current assets	2,858,622	3,625,715
Amortisation of intangible assets:		
Technology platform	1,781,590	1,471,410
Software	71,087	88,268
Digital content	487,370	548,845
Total amortisation intangible assets	2,340,047	2,108,523
Total depreciation and amortisation of non-current assets	5,198,669	5,734,238
Rental expense on operating leases:		
Minimum lease payments	594,322	553,918
Expense of Director and Employee shares	28,000	26,667
Expense of Director and Employee share options	312,565	130,408

## NOTE 4: INCOME TAX EXPENSE

	Consolidated Entity	
	2014	2013
	\$	\$
<b>Major components of income tax expense</b>		
Reconciliation between income tax benefit and prima facie tax on accounting loss.		
Accounting loss	(11,057,978)	(8,031,378)
Prima facie tax benefit on the loss from ordinary activities before income tax at 30% (2013: 30%) differs from the income tax provided in the financial statements as follows:		
Tax (benefit) at 30%	(3,317,393)	(2,409,413)
Tax effect of non-deductible expenses:		
Non-deductible client entertainment	2,438	2,915
Other non-deductible expenses	279,991	176,107
Difference of effective foreign income tax rates	9,979	6,864
Current year tax losses not brought to account	2,510,074	1,947,144
Deferred tax asset – temporary difference not brought to account	514,910	276,383
2013 R&D tax incentive refund	900,850	1,606,781
Income tax benefit	900,850	1,606,781
The applicable weighted average effective tax rates are as follows:	30%	30%
Deferred tax assets have not been recognised in respect of:		
Tax losses	13,629,406	11,362,978
Temporary differences – equity	233,606	145,603
Temporary differences – other	1,462,505	855,430

**NOTE 5: KEY MANAGEMENT PERSONNEL DISCLOSURES**

The key management personnel remuneration will be included in the remuneration report section of the Directors' Report.

	2014	2013
	\$	\$
Short-term employee benefits	652,207	792,607
Post-employment benefits	48,723	59,569
Share-based payments	94,983	24,484
	795,913	876,660

**Other key management personnel transactions with the Company or its controlled entities**

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase services from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees or customers and are trivial or domestic in nature.

**Options and rights over equity instruments granted as compensation**

The movement during the reporting period in the number of options over ordinary shares in Quickflix Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2014	Held at 1 July 2013	Granted as compensation	Exercised	Lapsed	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
<b>Directors</b>							
Stephen Langsford	20,000,000	-	-	-	20,000,000	10,000,000	20,000,000
Simon Hodge	15,000,000	-	-	-	15,000,000	7,500,000	15,000,000
David Sanders	1,500,000	-	-	-	1,500,000	750,000	1,500,000
	36,500,000	-	-	-	36,500,000	18,250,000	36,500,000

2013	Held at 1 July 2012	Granted as compensation	Exercised	Lapsed	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
<b>Directors</b>							
Stephen Langsford	2,000,000	20,000,000	(2,000,000)	-	20,000,000	10,000,000	10,000,000
Simon Hodge	2,000,000	15,000,000	-	(2,000,000)	15,000,000	7,500,000	7,500,000
David Sanders (appointed 30/11/12)	-	1,500,000	-	-	1,500,000	750,000	750,000
Justin Milne (resigned 20/11/2012)	5,000,000	-	-	(2,500,000)	2,500,000	2,500,000	2,500,000
<b>Executive Officers</b>							
Chris Taylor (resigned 20/11/2012)	5,000,000	-	-	(5,000,000)	-	-	-
	14,000,000	36,500,000	(2,000,000)	(9,500,000)	39,000,000	20,750,000	20,750,000

## Movements in shares

The movement during the reporting period in the number of ordinary shares in Quickflix Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

<b>2014</b>	<b>Held at 1 July 2013</b>	<b>Granted as compensation in lieu of cash fees</b>	<b>Other net Movement</b>	<b>Held or approved at 30 June 2014</b>
<b>Directors</b>				
Stephen Langsford	58,150,885	-	9,438,502	67,589,387
Simon Hodge	7,802,599	-	-	7,802,559
David Sanders	500,000	-	1,541,937	2,041,937
	66,453,444	-	10,980,439	77,433,923

<b>2013</b>	<b>Held at 1 July 2012</b>	<b>Granted as compensation in lieu of cash fees</b>	<b>Other net Movement</b>	<b>Held or approved at 30 June 2013</b>
<b>Directors</b>				
Jon Schahinger (resigned 07 September 2012)	4,913,058	-	(4,913,058)	-
Stephen Langsford	56,150,885	-	2,000,000	58,150,885
Simon Hodge	7,802,599	-	-	7,802,559
David Sanders (appointed 30 November 2012)	-	-	500,000	500,000
Justin Milne (resigned 20 November 2012)	500,000	-	(500,000)	-
Donald Campbell (resigned 17 July 2012)	46,500,000	-	(46,500,000)	-
	115,866,542	-	(49,413,058)	66,453,444

**NOTE 6: AUDITOR'S REMUNERATION**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report (Grant Thornton Audit Pty Ltd)	107,200	102,500
- taxation services provided by related practice of auditor	14,700	12,000
	121,900	114,500

**NOTE 7: EARNINGS PER SHARE**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
a. Basic loss per share	(1.07)	(1.35)
b. Earnings used to calculate basic EPS	10,157,128	6,424,597
	<b>No.</b>	<b>No.</b>
c. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	953,345,851	475,347,272

The consolidated entity does not have any potential dilutive securities on issue and therefore has not measured or disclosed the diluted loss per share.

**NOTE 8: CASH AND CASH EQUIVALENTS**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	2,410,824	2,319,831

**Reconciliation of cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash at bank and in hand	2,410,824	2,319,831
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## NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2014	2013
	\$	\$
<b>CURRENT</b>		
Trade receivables	10,452	131,737
Other receivables	90,441	218,246
	100,893	349,983

## NOTE 10: INVENTORIES

	Consolidated Entity	
	2014	2013
	\$	\$
<b>CURRENT</b>		
Packaging at cost – envelopes	144,041	281,455
Packaging at cost – sleeves	15,430	27,358
	159,471	308,813

## NOTE 11: CONTROLLED ENTITIES

	Country of incorporation	Percentage owned	
		2014	2013
Controlled entities consolidated			
Parent entity:			
Quickflix Limited	Australia		
Subsidiaries of Quickflix Limited:			
Homescreen Entertainment Pty Ltd	Australia	100%	100%
Quickflix NZ Limited	New Zealand	100%	100%

Percentage of voting power is in proportion to ownership.

**NOTE 12: PROPERTY, PLANT AND EQUIPMENT**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>Office equipment</b>		
At cost	967,322	949,003
Accumulated depreciation	(720,486)	(598,294)
Net carrying amount	246,836	350,709
<b>Computer equipment</b>		
At cost	709,270	643,303
Accumulated depreciation	(627,729)	(519,821)
Net carrying amount	81,541	123,482
<b>DVD library</b>		
At cost	17,187,544	15,169,574
Accumulated depreciation and impairment	(15,125,104)	(12,569,527)
Net carrying amount	2,062,440	2,600,047
<b>Leasehold improvements</b>		
At cost	388,139	343,231
Accumulated depreciation	(271,468)	(205,028)
Net carrying amount	116,671	138,203
<b>Motor vehicle</b>		
At cost	46,818	-
Accumulated depreciation	(6,546)	-
Net carrying amount	40,272	-
<b>Total property, plant and equipment at cost</b>	<b>19,299,093</b>	<b>17,105,111</b>
<b>Accumulated depreciation</b>	<b>(16,751,333)</b>	<b>(13,892,670)</b>
<b>Total carrying amount</b>	<b>2,547,760</b>	<b>3,212,441</b>

### Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Office equipment \$	Computer equipment \$	DVD library \$	Leasehold improvements \$	Motor Vehicle \$	Total \$
<b>Consolidated Entity</b>						
Year ended 30 June 2013						
Balance at the beginning of year	531,021	199,806	3,636,226	197,113	-	4,564,166
Additions	17,059	59,775	2,228,136	-	-	2,304,970
Adjustments	(30,980)	-	-	-	-	(30,980)
Depreciation expense	(166,391)	(136,099)	(3,264,315)	(58,910)	-	(3,625,715)
Carrying amount at the end of year	350,709	123,482	2,600,047	138,203	-	3,212,441
Year ended 30 June 2014						
Balance at the beginning of year	350,709	123,482	2,600,047	138,203	-	3,212,441
Additions	21,721	65,966	2,017,969	44,907	46,818	2,197,381
Adjustments	(3,405)	-	-	-	-	(3,405)
	(32)	2	-	2	-	(28)
Depreciation expense	(122,157)	(107,909)	(2,555,576)	(66,441)	(6,546)	(2,858,629)
Carrying amount at the end of year	246,836	81,541	2,062,440	116,671	40,272	2,547,760

### NOTE 13: INTANGIBLE ASSETS

	<b>Consolidated Entity</b>	
	2014 \$	2013 \$
<b>Goodwill</b>		
Cost	-	77,816
Net carrying amount	-	77,816
<b>Software</b>		
Cost	390,858	387,903
Accumulated amortisation	(353,961)	(282,873)
Net carrying amount	36,897	105,030
<b>Technology platform</b>		
Cost	8,144,201	7,357,177
Accumulated amortisation	(6,337,574)	(4,555,257)
Net carrying amount	1,806,627	2,801,920
<b>Digital Content and Ingest</b>		
Cost	2,688,306	1,407,306
Accumulated amortisation	(1,254,568)	(767,195)
Net carrying amount	1,433,738	640,111
Total carrying amount	3,277,262	3,624,877

**Movements in carrying amounts**

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year.

	Technology Platform \$	Software \$	Goodwill \$	Digital content and ingest \$	Total \$
<b>Consolidated Entity</b>					
Year ended 30 June 2013					
Balance at the beginning of year	2,947,636	165,442	77,816	524,369	3,715,263
Additions	1,325,694	27,856	-	675,170	2,028,720
Adjustments	-	-	-	(10,583)	(10,583)
Amortisation charge	(1,471,410)	(88,268)	-	(548,845)	(2,108,523)
Carrying amount at 30 June 2013	2,801,920	105,030	77,816	640,111	3,624,877
Year ended 30 June 2014					
Balance at the beginning of year	2,801,920	105,030	77,816	640,111	3,624,877
Additions	787,022	2,954	-	1,280,997	2,070,973
Adjustments	(736)	(1)	-	4	(733)
Amortisation charge	(1,781,579)	(71,086)	(77,816)	(487,374)	(2,417,855)
Carrying amount at 30 June 2014	1,806,627	36,897	-	1,433,738	3,277,262

## NOTE 14: OTHER CURRENT ASSETS

	Consolidated Entity	
	2014	2013
	\$	\$
<b>CURRENT</b>		
Prepaid – studio digital content	444,315	236,530
Prepaid - other	253,606	155,153
	697,921	391,683

## NOTE 15: OTHER FINANCIAL ASSETS

	Consolidated Entity	
	2014	2013
	\$	\$
Term deposit held as security	622,165	386,073

## NOTE 16: TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2014	2013
	\$	\$
<b>CURRENT</b>		
Trade and other payables:		
Trade payables	5,674,643	2,142,352
Sundry payables	2,379,274	2,296,966
Sub TOTAL	8,053,917	4,401,126
Unearned revenue	1,060,314	994,178
Sub TOTAL	1,060,314	994,178
TOTAL	9,114,231	5,395,304

**NOTE 17: REDEEMABLE PREFERENCE SHARES**

Date	Details	Number of shares	Issue price \$	\$
30 June 13	Opening balance	86,742,811	0.12	10,409,137
10 July 13	Redeemable preference shares issued	865,052	0.12	103,806
8 November 13	Redeemable preference shares issued	883,279	0.12	105,993
22 January 14	Redeemable preference shares issued	892,185	0.12	107,063
30 June 14	March 2014 quarter dividend payable	881,589	0.12	105,791
30 June 14	June 2014 quarter dividend payable	900,176	0.12	108,021
30 June 2014	Closing balance	91,165,092*		10,939,811

\*Total number of shares at 30 June 2014 includes March 14 and June 14 quarter Dividend payable which was settled by 1,781,765 preference shares on 14 July 2014.

The redeemable preferences shares and accrue dividends, payable quarterly, at annualised rate 4.0% subject to applicable law.

The redeemable preference shares may be converted at any time by giving notice to the Company. Upon conversion the Company is required to issue one ordinary share for every redeemable preference share converted and one twelve cent three year option for every five redeemable preference shares converted.

The Company can require the preference shares to be converted into ordinary shares on the same basis referred to above at any time after three years from their date of issue (i.e. after March 2015) where the Company's VWAP (daily volume weight average market price) has been greater than 15 cents for at least 30 consecutive trading days, provided also that the Company's VWAP is greater than 15 cents in the 3 trading days before conversion takes effect. Mandatory conversion takes effect 60 days after the conversion notice is given.

The redeemable preference shareholder has the right to call for the redemption of the redeemable preference shares on the occurrence of a "Liquidation Event" which broadly encompasses an insolvency event, a disposal of substantially all of the Company's assets, a merger or takeover, a person other than the shareholder acquiring a voting power of more than 51% in the Company, or any change in the majority of the members of the Board of Directors unless the replacement Directors were nominated by the majority of the Company's Board.

During the 2014 year, shareholders approved issue of Preference Shares to the holder to satisfy payment of accumulated dividends during the year. Payment of March 2014 and June 2014 quarter dividend has also been satisfied by issuing 1,781,765 Redeemable preference shares on 14 July 2014.

## NOTE 18: BORROWINGS

	Consolidated Entity	
	2014	2013
	\$	\$
Other entities – Gleneagle facility	-	914,844
Non-current borrowings	-	914,844

On 30 October 2013, shareholders at Annual General Meeting approved the conversion of Gleneagle's debt and associated costs into shares and the settlement. The conversion is summarised as below:

Gleneagle's debt	\$914,844
Associated costs	\$145,156
Total conversion	\$1,060,000
Total number of shares issued	106,000,000

## NOTE 19: PROVISIONS

	Consolidated Entity	
	2014	2013
	\$	\$
CURRENT		
Employee provisions	298,015	228,211
Sub TOTAL	298,015	228,211
NON-CURRENT		
Employee provisions	59,321	66,944
Sub TOTAL	59,321	66,944
TOTAL	357,336	295,155

	Total
	\$
Carrying amount 1 July 2013	295,155
Additional provisions	159,858
Amount utilised	97,677
Carrying amount 30 June 2014	357,336

**NOTE 20: FINANCIAL LIABILITIES**

On 20 December 2013, the Company has purchased a truck for the fulfilment centre in Auburn under a chattel mortgage arrangement.

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Other financial liabilities - current	6,045	-
Other financial liabilities - non-current	37,137	-

**NOTE 21: ISSUED CAPITAL**

	<b>2014</b>	<b>2013</b>	<b>Consolidated Entity</b>	
			<b>2014</b>	<b>2013</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	1,155,651,940	526,669,605	39,865,063	34,271,571
	1,155,651,940	526,669,605	39,865,063	34,271,571

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

**Ordinary shares**

Date	Details	Notes	Number of shares	Issue price	
				<b>\$</b>	<b>\$</b>
30 June 2012	Balance		450,632,886		32,622,125
12 November 2012	Shares to Directors*	(ii)	2,000,000	0.05	100,000
28 December 2012	Shares to Employees**	(i)	925,000	0.00	-
12 February 2013	Shares to Employees**	(i)	1,778,601	0.00	-
12 February 2013	Shares to Employees	(i)	333,338	0.03	10,000
22 February 2013	Shares to Employees	(i)	641,026	0.03	16,667
8 March 2013	Placement		70,358,753	0.02	1,688,610
	Less: share issue costs		-		(165,831)
30 June 2013	Balance		526,669,604		34,271,571
17 September 13	Placement		70,000,000	0.01	700,000
25 October 13	Placement		336,965,861	0.01	3,369,659
25 October 13	Shares to Employees**	(i)	4,768,750	-	-
5 November 13	Placement		211,521,741	0.01	2,115,217
4 February 14	Shares to Employees**	(i)	5,725,984	-	-
	Less: share issue costs				(591,384)
30 June 14	Balance		1,155,651,940		39,865,063

\*The shares were issued with exercise of the options. \*\*These shares were issued as bonus shares to employees.



#### (i) Shares issued to Employees

Shares were issued to employees as a part of remuneration. The issue price in respect of these shares was determined by reference to market price.

#### (ii) Shares issued to Directors

Shares were issued to Directors in lieu of cash remuneration. The issue price in respect of these shares was determined by reference to market price. For information relating to shares issued to Directors during the financial year, refer to Note 5 Key management personnel disclosures.

#### (a) Options

The following options to issue ordinary shares were on issue as at 30 June 2014. All options outstanding are over unissued shares in Quickflix Limited.

	2014		Consolidated Entity	
	No.	Exercise price 2014 \$	No.	Exercise price 2013 \$
Unlisted options expiring:				
24 December 2013	-	-	250,000	0.0500
9 December 2015	2,500,000	0.0850	2,500,000	0.0850
28 July 2016	-	-	2,000,000	0.0500
5 July 2016	36,500,000	0.0220	36,500,000	0.0230
6 March 2018	42,215,251	0.0302	42,215,251	0.0310
	81,215,251		83,465,251	

#### (b) Performance Rights

	Consolidated Entity	
	2014 No.	2013 No.
Unlisted performance rights outstanding	11,700,000	15,268,750

Refer to note 26 for more information.

#### (c) Capital management

The capital of the Group is managed in order to maintain a good debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern. The Group's capital includes ordinary share capital, preference share capital and financial liabilities. There are no externally imposed capital requirements. Capital is managed by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of debt levels, 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.

**NOTE 22: RESERVES****Reserves**

		<b>Consolidated Entity</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
Share/ Option reserve	(i)	1,688,328	1,224,673
Foreign currency translation reserve	(ii)	(24,396)	(12,370)
Total		1,663,932	1,212,303

- (i) The share/option reserve offsets items recognised as expenses on valuation of employee share options and shares allotted but not yet issued.
- (ii) The foreign currency translation reserve – comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into AUD.

**NOTE 23: COMMITMENTS****a. Operating lease commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements. The property leases are non-cancellable, with standard terms of renewal that exist in respect of these leases requiring the lessee to provide written notice of not more than 6-months and not less than 3-months written notice of intention to renew. Contingent rental provisions within the agreements require the minimum lease payments to be increased by the lower of CPI or 4% per annum. Notwithstanding the minimum increase, the agreement allows for a market increase at the second review date. There is an option to renew the lease at the end of the term for a further one to two years.

		<b>Consolidated Entity</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
Payable - minimum lease payments:			
- not later than 1 year		384,863	874,463
- later than 1 year but no later than 5 years		851,600	953,255
- greater than 5 years		-	-
		1,236,463	1,827,718

**b. Digital content studio fees**

Minimum commitments for the studio agreements which can range from one year to five years are as per below:

		<b>Consolidated Entity</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
Payable - minimum guarantee payments			
- not later than 1 year		4,805,983	3,725,646
- later than 1 year but no later than 5 years		2,207,778	5,751,980
- greater than 5 years		-	-
		7,013,761	9,477,627

## NOTE 24: SEGMENT REPORTING

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors and Chief Executive Officer in assessing and determining the allocation of resources. The Group operates in one business segment being the online movie rental which includes streaming which was launched last financial year.

## NOTE 25: CASH FLOW INFORMATION

	Consolidated Entity	
	2014	2013
	\$	\$
<b>Reconciliation of cash flow used in operations with loss after income tax</b>		
Loss after income tax	(10,157,128)	(6,424,597)
Non-cash flows in loss:		
Amortisation	2,340,811	2,108,523
Impairment losses	77,816	-
Depreciation	2,858,630	3,625,715
Share options expensed	463,654	130,408
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and term receivables	249,090	89,493
(Increase)/decrease in inventories	149,342	(139,375)
(Increase)/decrease in prepayments	(306,238)	(118,486)
(Increase)/decrease in translation reserve	(12,026)	-
Increase/(decrease) in trade payables and accruals	3,856,492	(1,234,684)
Increase/(decrease) in unearned revenue	66,136	(131,018)
Increase/(decrease) in redeemable preference shares	425,156	514,655
Cash flow from / (used in) operations	11,735	(1,579,366)

## NOTE 26: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2014:

### a. Employee Option Plan

The establishment of the Quickflix Limited Employee Option Plan was approved by shareholders at a general meeting held on 29 November 2010.

The Employee Option Plan is designed to:

- provide an incentive to employees to work to improve the performance of the Company;
- attract and retain valued employees essential for the continued growth and development of the Company;
- establish a sense of ownership in the Company for the employees;
- promote and foster loyalty and support amongst employees for the benefit of both the employees and the Company;
- enhance the relationship between the Company and its employees for the long term mutual benefit of all parties; and
- enable the Company to attract high calibre individuals, who can bring expertise to the Company.

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options issued under the plan may be issued subject to performance and/ or vesting conditions as determined by the Board.

All options granted to directors and staff in Quickflix Limited confers a right of one ordinary share for every option held.

	Consolidated Entity			
	2014		2013	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding at the beginning of the year	41,250,000	0.028	17,050,000	0.061
Granted	-	-	36,500,000	0.023
Forfeited	(2,250,000)	0.050	(8,300,000)	0.082
Exercised	-	-	(2,000,000)	0.050
Expired	-	-	(2,000,000)	0.050
Outstanding at year-end	39,000,000	0.026	41,250,000	0.028
Exercisable at year-end	39,000,000	0.026	4,750,000	0.032

There were no options exercised during the year ended 30 June 2014.

The options outstanding at 30 June 2014 had an exercise price of \$0.026 and a contractual life of 1.9 years. The exercise price of outstanding options at the end of the period is \$0.026.

#### b. Employee Discount Share Ownership Plan and Performance Rights

Due to changes to the taxation rules applicable to employee incentive schemes, the issue of Options to employees can in certain circumstances have adverse tax consequences for employees disproportionate to any benefit they receive. As such, the Company has developed two new employee share ownership plans, the Quickflix Limited Employee Discount Share Ownership Plan and the Quickflix Limited Employee Performance Rights Plan approved by shareholders on 29 November 2011.

##### *Employee Discount Share Ownership Plan*

The value of Shares that may be offered to each employee under the Employee Discount Share Ownership Plan is limited to \$1,000 per annum or such higher amount as may be available on a discounted tax basis in the future. All employees of the Company and its subsidiaries who have been employed for one year are eligible to participate in the Employee Discount Share Ownership Plan subject to receiving an offer from the Board, and employees who have been employed for less than one year are also eligible if the Board decides compelling circumstances exist such that it is appropriate to allow them to participate.

##### *Performance Rights Plan*

All employees and Directors of the Company and its subsidiaries are eligible to participate in the Employee Performance Rights Plan subject to receiving an offer from the Board. A Performance Right means a right to acquire one Share for no consideration. The Board may impose conditions on the vesting of the Performance Rights including performance hurdles which are hurdles and criteria determined by the Board which may relate to matters including management, operational, financial, corporate or shareholder issues.

Performance Rights are to be for a term not exceeding 5 years from the date of issue. At the expiry of the vesting period in relation to Performance Rights, the employee will be issued one Share for each Performance Right in relation to which the performance hurdles have been met. A Performance Right does not vest and will lapse at the end of the vesting period if the holder of the Performance Right has (i) not been an employee or Director of the Company for at least one year, (ii) any performance hurdles applicable to that Performance Right have not been satisfied, (iii) the holder of the Performance Right, in the opinion of the Board has failed to comply with the terms and conditions of the Employee Performance Rights Plan or (iv) the Board has determined that the holder of the Performance Right has acted fraudulently, dishonestly or in breach of his or her obligations to the Company.

## Performance Rights

	Consolidated Entity	
	2014	2013
	Number of performance rights	Number of performance rights
Outstanding at the beginning of the year	15,268,750	1,250,000
Granted	11,700,000	15,268,750
Granted, not yet issued	-	-
Forfeited	(10,500,000)	(400,000)
Vested	(4,768,750)	(850,000)
Expired	-	-
Outstanding at year-end	11,700,000	15,268,750
Exercisable at year-end	-	-

## NOTE 27: RELATED PARTY TRANSACTIONS

### Identity of related parties

The consolidated entity has related party relationships with its subsidiary (Refer to Note 11) and with its key management personnel (Refer to Note 5).

### Other related party transactions

#### Subsidiaries

Loans may be advanced by the Company to the wholly owned subsidiaries for operating and capital purchases. In addition, the Company may provide marketing, IT, corporate support, managerial and accounting services on behalf of the wholly owned subsidiaries and charges a management fee in recognition of these services. For the period to 30 June 2014 the Company charged the wholly owned subsidiaries management fees of \$36,000 (2013: \$36,000). The inter-company loan account was \$400,063 as at 30 June 2014 (2013: \$400,063). This account is eliminated upon consolidation.

#### Hunter Corporate Pty Ltd

During the year ended 30 June 2014, the group made payments to Hunter Corporate Pty Ltd, a related party of the Company Secretary, in respect of the provision of company secretarial services. The total amount paid or payable during the year was \$56,083.

#### Share-based payments

During the year, the group made share-based payments to related parties. Refer to Note 26 for details.

## NOTE 28: FINANCIAL INSTRUMENTS

### a. Financial risk management

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, leases and a convertible note.

The main risk the consolidated entity is exposed to through its financial instruments is interest rate risk.

#### Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk, that financial instruments value will fluctuate, as a result in changes in market interest rates. For the effective weighted average interest rates on those financial assets and financial liabilities refer Note 28(b).

#### Foreign currency risk

The economic entity is not exposed to fluctuations in foreign currencies.

#### Credit risk

Neither the economic or parent entities have any material credit or other risk exposure to any single receivable or group of receivables or payables under financial instruments entered into by the consolidated entity. The company's revenue is billed in advance and is all paid via cash sales collected predominantly through credit card payments.

#### Liquidity risk

The consolidated entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

#### Price risk

The economic entity is not exposed to any material commodity price risk.

## b. Financial Instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Consolidated Statement of Financial Position.

Consolidated Entity	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets:</b>												
Cash & cash equivalents	1.28	1.83	2,410,824	2,319,831	-	-	-	-	-	-	2,410,824	2,319,831
Trade & other receivables	-	-	-	-	-	-	-	-	100,893	349,983	100,893	349,983
Other financial assets	3.04	4.56	-	-	605,798	386,073	-	-	-	-	605,798	386,071
<b>Total financial assets</b>			2,410,824	2,319,831	605,798	386,073	-	-	100,893	349,983	3,117,515	3,055,887
<b>Financial liabilities:</b>												
Trade and sundry payables	-	-	-	-	-	-	-	-	8,053,917	4,401,126	8,053,917	4,401,126
Borrowings	14.00	14.00	-	-	-	914,844	-	-	-	-	-	914,844
Motor vehicle lease	9.29	-	-	-	6,045	-	37,137	-	-	-	43,182	-
Redeemable preference shares	4.00	4.00	-	-	10,939,811	10,514,655	-	-	-	-	10,939,811	10,514,655
<b>Total financial liabilities</b>			-	-	10,945,856	11,429,499	37,137	-	8,053,917	4,401,126	19,036,910	15,830,625

**Trade and sundry payables are expected to be paid as follows:**

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Less than 6 months	8,053,917	4,401,126
6 months to 1 year	-	-
1 to 5 years	-	-
	8,053,917	4,401,126

**Interest rate sensitivity**

At 30 June 2014, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>Consolidated Entity</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Change in profit		
- Increase in interest rate by 2%	60,332	53,486
- Decrease in interest rate by 2%	(60,332)	(53,486)
Change in equity		
- Increase in interest rate by 2%	60,332	53,486
- Decrease in interest rate by 2%	(60,332)	(53,486)

The above risk sensitivity analysis has been performed on the assumption that all other variables remain the same. Interest on lease liabilities are at fixed rates and are not affected by any increase or decrease in interest rates.

**NOTE 29: EVENTS SUBSEQUENT TO BALANCE DATE**

On 4 July 2014 the company announced completion of a private placement to sophisticated and institutional investors raising \$1.8 million through the issue of 204.2 million fully paid ordinary shares at an issue price of 0.9 cents per share.

Along with the placement the board of Quickflix has appointed Cashel Corporate Finance to assist with evaluating strategic options for the Company.

On 4 July 2014 the company announced the appointment of Mr David P Smith as Non-Executive Director.

On 29 August 2014 the company completed a share purchase plan raising \$1.6 million through the issue of 160.8 million fully paid ordinary shares at an issue price of 1.0 cents per share.



## NOTE 30: QUICKFLIX LIMITED PARENT COMPANY INFORMATION

	2014	2013
	\$	\$
<b>ASSETS</b>		
Current assets	3,391,550	3,194,726
Non-current assets	6,424,548	7,121,648
<b>TOTAL ASSETS</b>	<b>9,816,098</b>	<b>10,316,374</b>
<b>LIABILITIES</b>		
Current liabilities	19,557,996	15,604,701
Non-current liabilities	102,504	1,032,855
<b>TOTAL LIABILITIES</b>	<b>19,660,500</b>	<b>16,637,556</b>
<b>NET ASSETS</b>	<b>(9,844,402)</b>	<b>(6,321,182)</b>
<b>EQUITY</b>		
Issued capital	39,865,063	34,271,570
Reserves	1,688,328	1,224,675
Accumulated losses	(51,397,793)	(41,817,427)
<b>TOTAL EQUITY</b>	<b>(9,844,402)</b>	<b>(6,321,182)</b>

	2014	2013
	\$	\$
Loss for the year	(9,580,366)	(6,080,868)
Total comprehensive income for the year	(9,580,366)	(6,080,868)
Guarantees in relation to relation to the debts of subsidiaries	Nil	Nil
Contingent liabilities – refer Note 32	377,855	Nil
Contractual commitments – premises	1,218,342	1,827,718
Contractual commitments – digital content studio fees	6,989,597	9,477,627
	<b>8,585,794</b>	<b>11,305,345</b>

## NOTE 31: CHANGE IN ACCOUNTING STANDARDS

### Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

- AASB 10 Consolidated Financial Statements;
- AASB 13 Fair Value Measurement; and
- AASB 119 Employee Benefits (September 2011)

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

- AASB 9 Financial Instruments (December 2010)
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)

The effects of applying these standards are described below.

#### AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and 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 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 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013.

Management has reviewed its fair value measurement in accordance with AASB 13 and the methods and valuation techniques used for the purpose of measuring value are unchanged compared to the previous reporting period.

### AASB 119 Employee Benefits (September 2013)

AASB 119 makes a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. AASB 119:

- eliminates the 'corridor method' and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income.
- changes the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest cost based on the net defined benefit asset or liability.
- enhances disclosures, including more information about the characteristics of defined benefit plans and related risks.

Management has reviewed its control assessments in accordance with AASB 119. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

### AASB 9 Financial Instruments (December 2010)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and

The remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

Classification and measurement of financial liabilities; and

Derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in the financial statements.

Consequential amendments arising from AASB 9 are contained in AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments and AASB 2014-1 Amendments to Australian Accounting Standards.

On 24 July 2014, the IASB issued IFRS 9 Financial Instruments (2014) which marked the completion of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 (2014):

- added requirements dealing with expected credit losses (impairment)
- amended the Standard's classification and measurement requirements by adding a new measurement category of fair value through other comprehensive income for particular simple debt instruments
- introduced a new mandatory effective date of accounting periods beginning on or after 1 January 2018

The AASB has already amended the effective date of AASB 9 to '1 January 2018' through its Amending Standard AASB 2014-1 Amendments to Australian Accounting Standards. It is expected that the AASB will issue the remaining amendments arising from IFRS 9 (2014) in the near future.

The Group has not yet assessed the full impact of AASB 9 as this standard does not apply mandatorily before 1 January 2018.

#### **AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities**

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

#### **AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets**

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When developing IFRS 13 Fair Value Measurement, the IASB decided to amend IAS 36 Impairment of Assets to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

AASB 2013-3 makes the equivalent amendments to AASB 136 Impairment of Assets.

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

#### **AASB 1031 Materiality (December 2013)**

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. When the revised AASB 1031 is first adopted for the year ending 30 June 2015, it is unlikely to have any significant impact on the Group.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)

Part B of AASB 2013-9 deletes references to AASB 1031 in various Australian Accounting Standards (including Interpretations).

When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on the Group.

#### **AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)**

These amendments:

- add a new chapter on hedge accounting to AASB 9 Financial Instruments, substantially overhauling previous accounting requirements in this area;
- allow the changes to address the so-called 'own credit' issue that were already included in AASB 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- defer the mandatory effective date of AASB 9 from '1 January 2015' to '1 January 2017'.

Note that, subsequent to issuing these amendments, the AASB has issued AASB 2014-1 which defers the effective date of AASB 9 to '1 January 2018'.

The Group has not yet assessed the full impact of these amendments.

#### **AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)**

Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:

(a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and

(b) amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the Group.

#### **AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)**

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality, which historically has been referenced in each Australian Accounting Standard.

When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the Group.

#### **AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)**

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.

When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the Group.

#### **AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)**

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements.

The Group has not yet assessed the full impact of these amendments.

## **NOTE 32: CONTINGENT LIABILITIES**

The amount of \$377,855 relates to current disputes identified by the company relating to the provision of services by suppliers.

One matter is currently at the discovery stage and is to progress to a formal mediation hearing at a later date. Another matter is being disputed by the group and an application has been lodged to set aside the claim.



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