14

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2014

Quickflix

Quickflix Limited ABN 62 102 459 352
Controlled Entities

www.quickflix.com.au

CORPORATE DIRECTORY

Directors
Mr Stephen Langsford
(Chairman and Chief Executive Officer)

Mr Simon Hodge
(Executive Director and Chief Financial Officer)

Mr David Sanders
(Non-Executive Director)

Mr David Smith
(Non-Executive Director)

Company Secretary
Susan Hunter

Registered Office
Suite 40
460 Stirling Highway
Cottesloe WA 6011
Website: http://www.quickflix.com.au
Telephone: (08) 9347 4900

Solicitors
Bennett + Co
Ground Floor
BGC Centre
28 The Esplanade
Perth WA 6000

Home exchange
Australian Stock Exchange Limited
2 The Esplanade
Perth WA 6000
ASX Code: QFX

Auditors
Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

Share registry
Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000
Telephone: 1300 55 70 10
Facsimile: (08) 9323 2033


Quickflix
www.quickflix.com.au
AND TV SHOWS ARE ALSO AVAILABLE TO STREAM INSTANTLY
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TABLETS & SMARTPHONES
CHROMECAST
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iPad
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ORANGE is the new BLACK
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Most Popular
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Movies
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News & Gossip
Search
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Note to Shareholders

Dear Shareholder,

We present you the Annual Report for 2014. This was a year in which Quickflix overcame many challenges to complete its restructure and return to a growth path. With further investment the turnaround achieved in 2014 provides Quickflix with an excellent base from which to expand and capitalise on its position as the leading streaming service in Australia and New Zealand.

Streaming is one of the fastest growing sectors in media and entertainment globally, posing a major challenge to broadcast pay TV and free-to-air companies. Quickflix has a significant head start in this exciting sector having established a brand and platform, as well as amassed a customer base and learnings over a number of years. Local media and other aspiring startup competitors will need to replicate this effort and investment to compete.

As first-mover in streaming, in 2014 Quickflix extended its lead in Australia and New Zealand connecting more customers and their devices, licensing new great local and international content and making its service available on more device platforms such as the new game consoles of Xbox One and Sony Playstation 4 and the exciting new low-cost Google Chromecast technology. This translated into paying customers increasing by 21 per cent to 122,862 during the year with over 60 per cent choosing streaming as part of their package. Demand for streaming grew sharply with a doubling in the number of devices registered by customers for the service whilst the volume of movies and TV streamed in the three months to 30 June 2014 was over 80 per cent higher than the same time the previous year.

The annual results in this report reflect the negative financial impact of the Company's slow-down during its restructuring phase before a subsequent return to growth midway in 2014. The net loss of $10.2 million was achieved on revenues of $18 million, a decline of six per cent on the previous year. The necessary pull-back in marketing during its restructure resulted in customer churn not being replaced and paying customers and revenue declining in the first half of the year. Capital raised late in the first-half enabled the Company to restore its balance sheet, eliminate debt and resume marketing to acquire customers. Pleasingly this resulted in strong growth being achieved in paying customers and revenue in the second-half.

Streaming promises to capture a significant portion of Australia and New Zealand's multi-billion dollar home entertainment market in time as customers transition from free-to–air, payTV and other choices such as DVD. This transition will play out over a number of years

Quickflix is being joined in the marketplace by new streaming competitors. In Australia Foxtel has launched Presto which has got off to a slow start. Other competitors are expected. StreamCo, a joint venture announced between Nine Entertainment Co and Fairfax - which has acquired a minority stake in Quickflix - is expected to launch a service sometime next year. Whilst a challenge to Quickflix, the new competition will also help build consumer awareness of streaming generally and grow the market which will also benefit the Company. In this environment Quickflix will continue to innovate, enhance its competitive offering and seek new partnerships to reach larger audiences.

We thank shareholders, staff and customers for their support of the Company. The year ahead promises to be an exciting one.

Stephen Langsford
Chairman and CEO

Directors' Report

YOUR DIRECTORS PRESENT THEIR REPORT ON THE CONSOLIDATED ENTITY (REFERRED TO HEREAFTER AS THE GROUP) CONSISTING OF QUICKFLIX LIMITED (THE COMPANY) AND THE ENTITIES IT CONTROLLED AT THE END OF, OR DURING, THE YEAR ENDED 30 JUNE 2014.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows.

Names, qualifications, experience and special responsibilities

Stephen Lewis Langsford

BCom
Chairman and Chief Executive Officer

Stephen has an entrepreneurial and business management background having commenced his career with an international accounting firm and later a funds management group.

In 1998 Stephen founded Method + Madness, a pioneering internet and e-business company which was later acquired by ASX listed Sausage Software (later renamed SMS Management & Technology). In 2002 Stephen founded Change Corporation a consulting and technology services company of which he was Executive Chairman until it was acquired by ASX listed CSG Limited in December 2007. Stephen founded Quickflix and has served as Executive Chairman from 12 November 2009 and assumed the role of Chief Executive Officer since 20 November 2012. Stephen is also a board member of film funding agency Screen West.

Simon James Hodge

BCom (Hons)
Executive Director and Chief Financial Officer

Simon has a corporate advisory and equity research background. He has senior management experience in corporate project origination, evaluation, due diligence and execution having held a senior position with Poynton and Partners for five years advising companies across a range of high growth industries prior to co-founding Quickflix. Before that Simon was a senior equity research analyst with JP Morgan (London) and a major Australian stockbroker. Simon co-founded Quickflix and has occupied a number of executive roles including Managing Director, and is currently Chief Financial Officer and Chief Operating Officer.

David Sanders

BCom; BJuris; LLB (Hons)
Non-Executive Director

David has extensive experience in corporate law and is a Principal at Bennett + Co, a specialist corporate and commercial law firm based in Perth, Western Australia. He holds bachelor degrees in law and commerce from the University of Western Australia and a Graduate Diploma of Applied Finance and Investments from the Securities Institute of Australia. David has advised numerous ASX listed companies and private companies on capital raising, mergers and acquisitions, Corporations Act and ASX Listing Rules compliance and corporate governance. He is also a Non-Executive Director of Marenica Energy Ltd and Tungsten Mining NL.

David Smith

Non-Executive Director

David was appointed to the board on 1 August 2014 and introduces relevant global industry expertise to the Board. David is a former Vice President of Twentieth Century Fox Television Distribution and is a senior US film and television entertainment executive with over 20 years' experience in licensing and acquiring content for subscription and transactional services including for over-the-top internet, cable, satellite, broadband and mobile platforms. David whose tenure at Fox also included representing the company on the boards of premium pay movie services Showtime, Telecine and LAPTV was also previously a finance and strategic planning executive of Walt Disney Company. David also services as a consultant to the Company assisting in securing licensing of Hollywood content.

Susan Hunter

BCom; ACA; F Fin; GAICD; ACIS; ACSA
Company Secretary

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The relevant interest of each Director in the shares or options over shares of the Company and any other related body corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Stephen Langsford	67,589,387	20,000,000
Simon Hodge	7,802,599	15,000,000
David Sanders	2,041,937	1,500,000

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number under option
9 December 2015	$0.0850	2,500,000
5 July 2016	$0.0220	36,500,000
6 March 2018	$0.0302	42,215,251
		81,215,251

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Earnings per share

	Cents
Basic and diluted earnings (loss) per share	(1.07)

Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.

Directors' meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director was as follows:

	Board meetings	
	A	B
Stephen Langsford	11	11
Simon Hodge	11	11
David Sanders	11	11

Notes:

A = number of meetings attended.

B = number of meetings held during the time the Director held office during the year or was a member of the relevant committee.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were that of the development and operation of an online movie subscription and retail service.

OPERATING AND FINANCIAL REVIEW

Quickflix is the leading movie and TV show streaming service in Australia and New Zealand accessible through a wide-array of smartTVs, game consoles, mobile, tablet and other popular devices. Quickflix customers can subscribe to stream from a selection of Hollywood blockbuster and family favourite movies and the best drama TV shows ever produced for as little as $9.99 per month. In addition Quickflix offers premium pay-per-view streaming of latest release movies and current seasons TV shows. As the most accessible streaming service of its kind, a customer can register up to six of their devices and stream three movies concurrently per account providing on-demand entertainment for the whole household. In Australia Quickflix is also the most popular online DVD rental service offering affordable subscription to the largest range of movies and TV shows in DVD and Blu-ray, all delivered postage-paid. Customers choose Quickflix to access the latest great entertainment at an affordable price, without the hassles of advertisements, lock-in contracts, set top boxes or late fees. Quickflix as innovator in the Australian and New Zealand marketplace has developed a platform and capability enabling it to readily take advantage of increasing scale and new developments in technology and device platforms.

During the year Quickflix further established its position in the streaming entertainment sector as new competitors entered the market. As the service available over the most comprehensive range of devices Quickflix extended its reach to key new generation consumer entertainment devices like Sony PlayStation 4, and Microsoft Xbox One game consoles and the revolutionary Google Chromecast media streaming device. Customers are able to register multiple devices for Quickflix streaming and the total number of devices registered during the year increased by 216,000 to 415,000 or 108 per cent.

Quickflix expanded its range of streaming content with the addition of thousands of hours of movie features and TV series including new series premieres such as True Detective and Orange is the New Black and Season 4 of Game of Thrones.

Quickflix achieved strong customer growth for the year to 30 June 2014 resulting in total customers increasing by 27 per cent to 135,690 and paying customers increasing by 21 per cent to 122,862. The growth in customers was achieved in the second half of the year as a result of the Company's successful turnaround reversing the customer decline in the first-half attributable to prior year's restructuring. Revenue for the full year of $18 million was six per cent lower than the previous year impacted by the decline in the first-half. The stronger second-half revenue of $9.4 million was nine per cent higher than the first-half reflecting the return to 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 increased by 77 per cent to $5.5 million as the Company increased its customer acquisition activity to drive growth. This was reflected in the net loss for the full year increasing by 58 per cent to $10.2 million. Cash at bank at 30 June 2014 was $2.4 million. Since then the Company has raised further capital of $3.4 million.

Highlights for the year include:

- Revenue decreased by 6 per cent to $18 million for the year;
- Paying customers increased by 21 per cent to 122,862 on increased marketing;
- Average monthly revenue per paying customer decreased by 4 per cent to $13.85 ex GST;
- Operating costs before marketing and trial service cost decreased by 2 per cent to $23.2 million;
- Marketing costs increased by 90 per cent to $3.2 million;
- R&D tax refund of $0.9 million; and
- Net loss increased by 58 per cent to $10.2 million.

Performance highlights

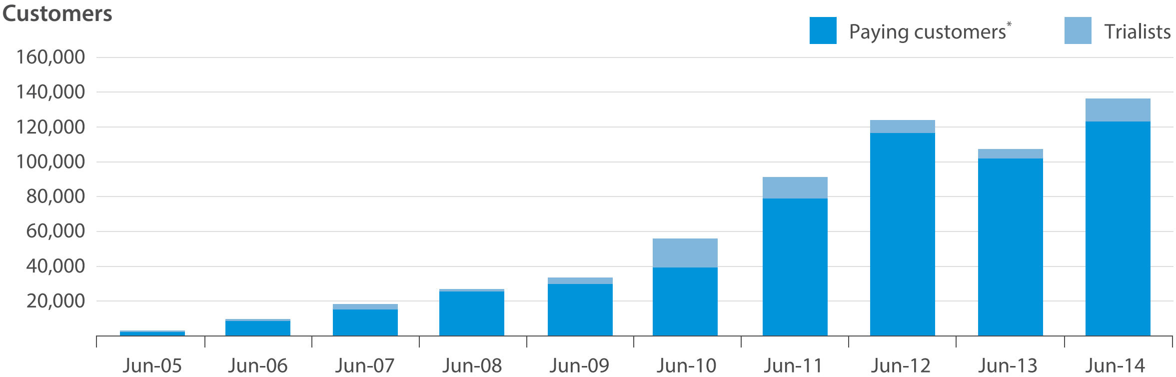
	30-Jun-12	30-Jun-13	30-Jun-14
Revenue	$16,918,417	$19,235,089	$18,043,965
change	56%	14%	(6%)
Loss before tax and finance costs (EBIT)	($13,366,021)	($7,462,508)	($10,604,146)
change	(353%)	44%	(42%)
Loss for the year after tax (NPAT)	(13,970,374)	(6,424,597)	($10,157,128)
Change	(372%)	54%	(58%)
Paying customers* - average for year	101,684	111,195	108,548
change	56%	9%	(2%)

* Paying customers are those who purchase a service (subscription, pay per view or pay to own) in the prior three month period.

Customers

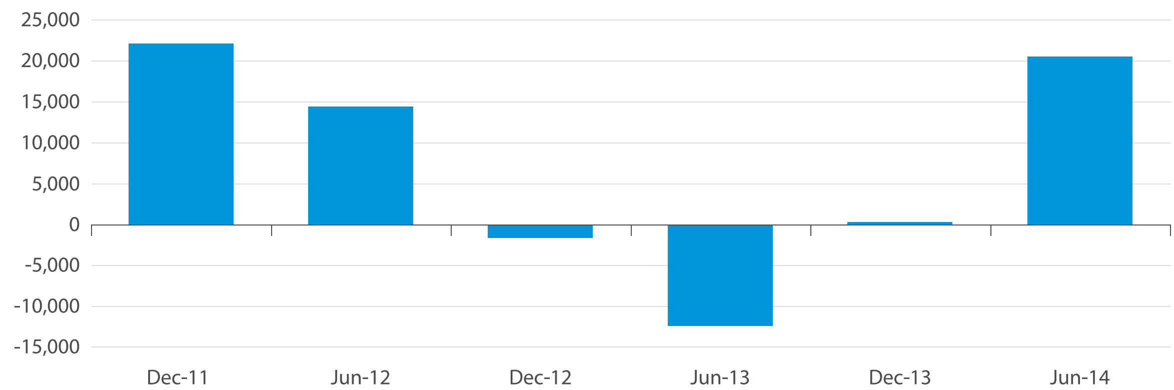
Customer growth returned during the year with total customers increasing by 27 per cent to 135,690 at 30 June 2014 and paying customers increasing by 21 per cent to 122,862. A turnaround in customer growth started in late 2013 as the Company increased its marketing activity from the low levels maintained during the restructuring of its operations in the prior year. Cost effective marketing activity including promotional partnerships yielded a 62 per cent increase in new customer sign-up activity, much of which occured in the second half of the year.

Customers

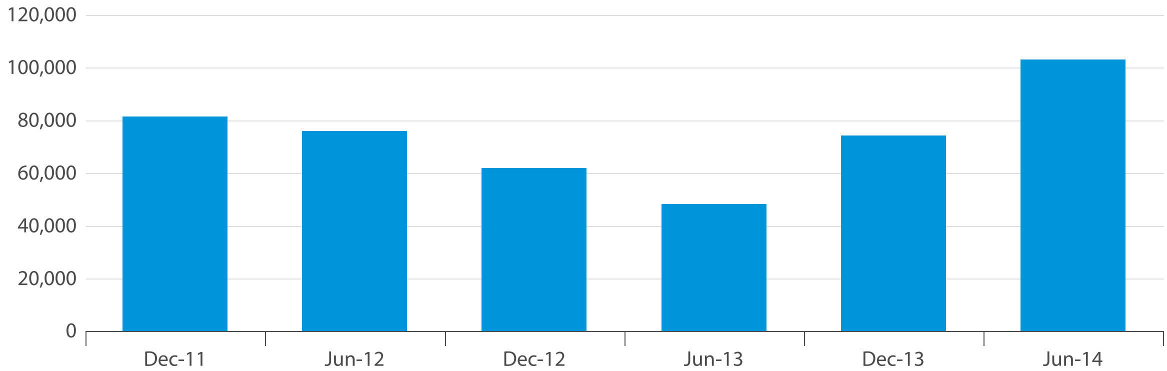


Following declines in paying customers numbers in the prior year, the paying customer base stabilised in the first-half before increasing by more than 20,000 in the second half-year. The timing of the turnaround meant the average number of paying customers for the year at 108,548 was down slightly on the prior year.

Net change in paying customers (half-year)



New sign ups



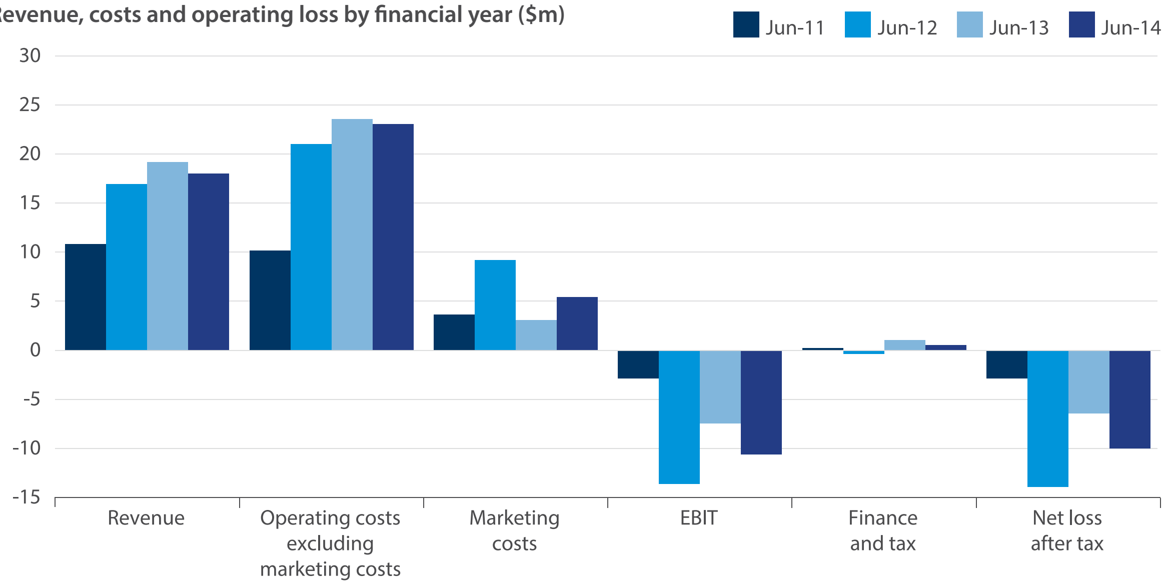
The average cost to acquire a new customer during the year was $31, in line with the prior year on low volume but considerably lower than the $59 per sign-up achieved in FY2012 on comparable sign-up volumes. Paying subscriber churn averaged six per cent for the year which was slightly lower than the prior year.

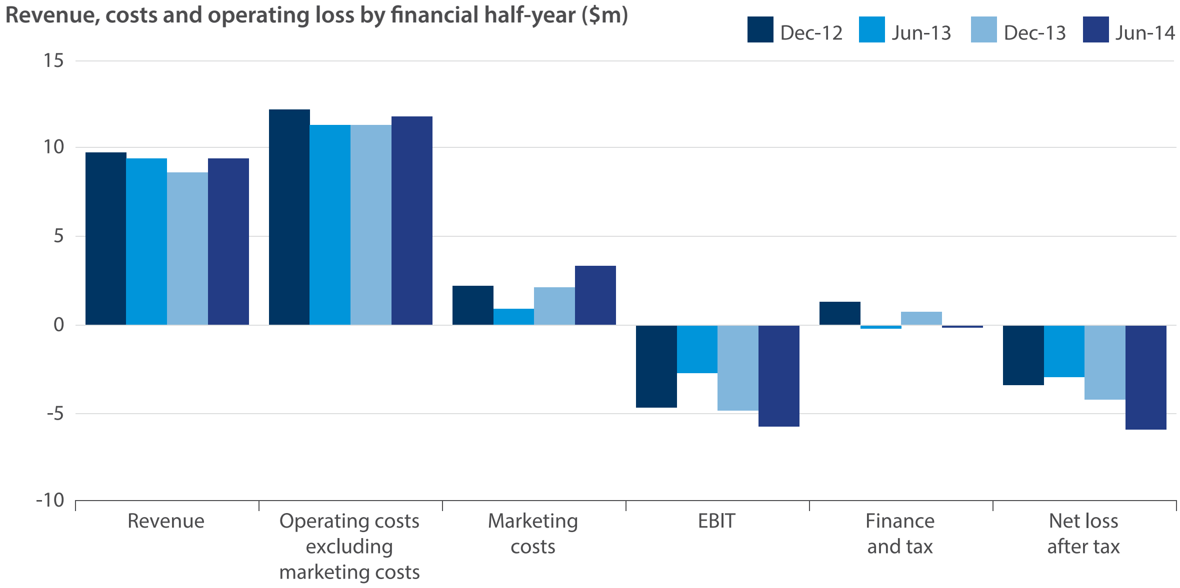
	Jun-12	Jun-13	Jun-14	Change 13/14
Trial subscribers	7,268	4,973	12,828	158%
Paying customers	115,641	101,852	122,862	21%
Total customers	122,909	106,825	135,690	27%
Net paying customer additions	36,675	(13,789)	21,010	252%
Paying subscriber churn (monthly average)	5.5%	6.2%	6.0%	(3%)
Marketing and trial cost per sign-up	$59	$28	$31	9%

Financial performance

Revenue was $18 million for the year, 6 per cent lower than the prior year whilst operating costs before marketing costs was 2 per cent lower to $23.2 million. Marketing costs increased by 77 per cent to $5.5 million on higher customer acquisition activity driving growth in the second-half. After a R&D tax rebate of $0.9 million the net loss after tax increased by 58 per cent to $10.2 million.

Revenue, costs and operating loss by financial year ($m)





Revenue

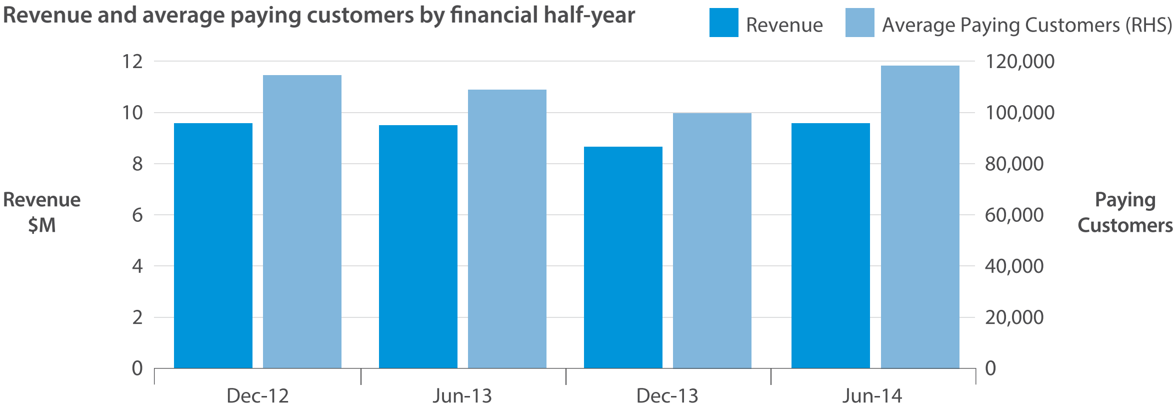
Quickflix derives most of its revenues from subscription fees which are billed monthly in advance and are recognised over the subscription period. Other revenues are derived from pay-per-view sales, the sale of gift vouchers, charges for non-returned DVDs and advertising and interest income.

	2012	2013	2014	Change 13/14
Revenue	$16,918,417	$19,235,089	$18,043,965	(6%)
Average number of paying customers	101,684	111,198	108,548	(2%)
Average monthly revenue per paying customer	$13.87	$14.42	$13.85	(4%)

Revenue decreased by 6 per cent to $18 million for the year, the result of a 2 per cent decrease in the average number of paying customers and average revenue per paying customer decreased by four per cent during the year to $13.85. The reduction in average revenue per paying customer can be attributed to an increase in the proportion of customers taking the streaming only services at new price points of $9.99 in Australian and NZ$ 12.99 in New Zealand and growth in the number of pay-per-view transactional customers. Sales of pay-per-view premium movies and TV series, increased by more than 400 per cent over the prior year.

The second half-year was considerably stronger than the first-half with revenues increasing by 9 per cent to $9.4 million as a result of an 18 percent increase in average paying customers of 117,550. The average monthly revenue per paying customer decreased by seven per cent as result of the introduction of the lower $9.99 streaming-only service and growth in the number of transactional customers utilising the premium pay-per-view service.

Revenue and average paying customers by financial half-year



Operating costs

Operating costs include the direct service expenses of fulfilment (sending and receiving DVDs), customer service, content (maintenance and depreciation of the physical DVD content library), digital content fees and amortisation for digital content, streaming costs and transaction processing fees; and operating costs of technology (operation, license fees and amortisation of the technology platform) and corporate overhead expenses. Marketing costs include all media and performance fees, production and overhead costs associated with the marketing function. Trial service costs are the proportion of direct service costs which relate to servicing free and paying trials. Finance costs include costs relating to the Redeemable Convertible Preference Shares and bank related fees.

Quickflix incurred an operating loss before finance cost and income tax (EBIT) of $10.6 million for the year up from a loss of $7.5 million in 2013. Gross contribution was maintained at $6.6 million despite the six per cent decrease in revenue.

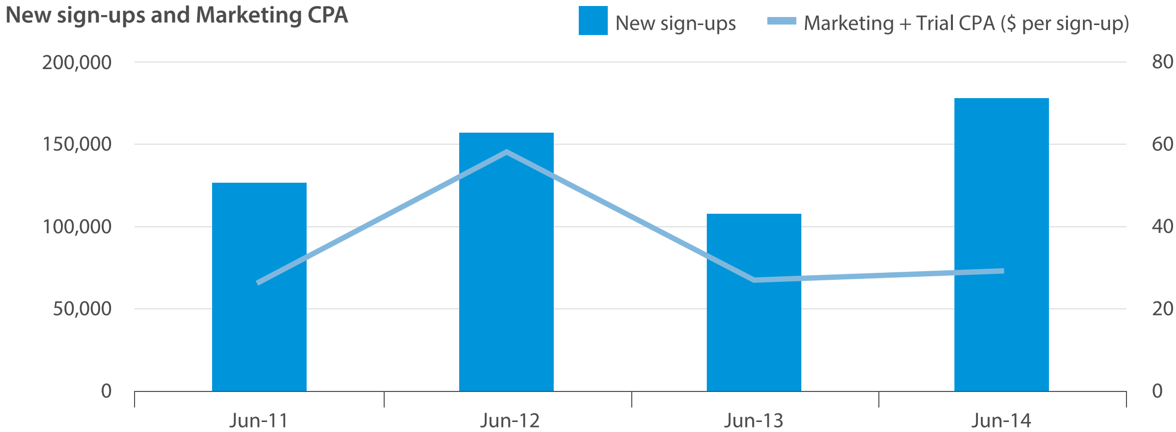
Direct service costs decreased by 9 per cent to $11.4 million as increases in streaming costs were offset by lower DVD service costs. Streaming content licence costs increased by 44 per cent to $4.8 million in 2014 as the Company expanded its content catalogue, increased pay-per-view sales and grew the streaming customer base. By contrast there was a reduction in DVD content and fulfilment costs on lower volumes and efficiencies in the DVD operations. DVD content costs (depreciation) reduced by 22 per cent to $2.6 million for the year whilst capital expenditure on new discs decreased by nine per cent to $2 million for the year. The consolidation of fulfilment centres in Melbourne, Brisbane and North Sydney in the first half of the year have contributed to significant savings in the second half of the financial year. The full effect of this consolidation is expected to flow through in FY2015.

Operating costs increased by 7 per cent to $11.8 million during the year due to amortisation of increased storage and encoding costs associated with the expansion of the streaming content catalogue during the year. Member care and corporate costs have decreased marginally during the year.

	2012 $	2013 $	2014 $	Change 13/14
Revenue	16,918,417	19,235,089	18,043,965	(6%)
Gross contribution	6,326,853	6,703,131	6,605,612	-1%
% of revenue	37%	35%	37%	
Operating loss before finance costs and income tax (EBIT)	(13,366,021)	(7,462,508)	(10,604,146)	42%
Direct service costs	10,591,565	12,531,958	11,377,458	(9%)
Operating costs	10,397,205	11,060,296	11,785,485	7%
Operating costs before marketing & trial service costs	20,988,770	23,592,254	23,162,943	(2%)
Marketing and trial service costs*	9,295,668	3,105,343	5,485,166	77%
Total operating costs before finance costs	30,284,438	26,697,597	28,648,109	7%
Finance costs	604,353	568,870	453,832	(20%)
Total costs	30,888,791	27,266,467	29,101,941	7%

Marketing and trial service costs increased to $5.5 million as the Company increased expenditure on customer acquisition activity. New customer sign-ups increased by 62 per cent from 110,000 to 178,000 during the year.

New sign-ups and Marketing CPA



Financial position

Receipts from customers decreased by 4 per cent to $20.1 million, while net cash used in operating and investing activities decreased to $4.5 million (down 25 per cent) for 2014. The Company had net cash of $2.4 million at 30 June 2014.

	2012 $	2013 $	2014 $	Change 13/14
Receipts from customers	16,977,176	21,028,185	20,128,128	(4%)
Less Payments to suppliers & employees	(22,283,092)	(22,607,551)	(20,116,393)	(11%)
Net cash used in operating activities	(5,305,916)	(1,579,366)	11,735	nm
Less: Net cash used in investing activities	(8,598,614)	(4,333,690)	(4,454,235)	3%
Net cash used in operating & investing activities	(13,904,530)	(5,913,056)	(4,442,500)	25%
Add: Net cash provided by financing activities	16,330,998	2,512,916	4,533,493	80%
Net movement cash for the period	2,426,468	(3,400,140)	90,993	nm
Cash at end of financial year	5,719,971	2,319,831	2,410,824	4%

ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year.

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 million fully paid ordinary shares at an issue price of 1.0 cents per share.

LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Company future years, the expected results of those operations, the strategies of the Company and its prospects for future financial years has not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company. The Company plans to continue to invest in growing its subscriber base, scale its DVD and streaming service and extend its service offering. The Company's financial performance will be determined by the future subscription growth achieved and the level of investment committed.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify the current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $36,558 as required in respect of Directors' and Officers' liability, legal expenses and insurance contracts, for current and former Directors and Officers, including Executive Officers of the Company.

NON-AUDIT SERVICES

The Company's auditor, Grant Thornton Audit Pty Ltd was appointed auditor of the Company on 12 November 2009.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is included in the Directors' Report.

Details of the amounts paid to the auditor of the Company, Grant Thornton Audit Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out below:

Statutory audit

- audit and review of financial reports	$107,200

Non-audit services

- taxation services and advice	$14,700

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed above did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Executive Directors prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

CORPORATE GOVERNANCE STATEMENT

The Directors of Quickflix Limited ("Quickflix" and the "Company") have established a framework of corporate governance, which they review on a regular basis.

In order to promote investor confidence and to assist companies meet stakeholder expectations, the Australian Securities Exchange Corporate Governance Council developed and released corporate governance guidelines for Australian entities listed on the Australian Securities Exchange ("ASX"). The second edition, Corporate Governance Principles and Recommendations ("ASX Principles and Recommendations") was released in August 2007 and updated in June 2010.

The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose whether their corporate governance practices follow the Guidelines on an "if not, why not" basis. This statement outlines the main corporate governance practices adopted by the Board, which comply with the ASX Principles and Recommendations, unless otherwise stated.

Further information about the Company's corporate governance practices including the information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website at www.quickflix.com.au.

The third edition of the Corporate Governance Principles and Recommendations was released on 27 March 2014 and takes effect for a listed entity's first full financial year commencing on or after 1 July 2014. During the 30 June 2015 financial year the Company will review and update their corporate governance policies and practices.

The roles of the Board and management

The role of the Board is to oversee and guide the management of Quickflix and its business with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of all stakeholders.

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the CEO/Managing Director for the day-to-day management of the Company. Powers and functions not delegated remain with the Board.

The key responsibilities and functions of the Board include the following:

- to develop, review and monitor the Company's long-term business strategies and provide strategic direction to management;
- to ensure policies and procedures are in place to safeguard the Company's assets and business and to enable the Company to act ethically and prudently;
- to develop and promote a system of corporate governance which ensures the Company is properly managed and controlled;
- to identify the Company's principal risks and ensure that it has in place appropriate systems of risk management, internal control, reporting and compliance; and
- to monitor management's performance and the Company's financial results on a regular basis.

The Company's corporate governance practices are reviewed at least annually and improved as required.

The Company's senior management is responsible for supporting the Executive Directors in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board.

The Company did not conduct a formal annual performance evaluation of the Board during the 30 June 2014 financial year. However, the Company plans to conduct a formal annual performance evaluation of the Board and its Committees (if applicable) in the 30 June 2015 financial year involving completion of a questionnaire by each Board member and collation, assessment and review of the results by the Board following review of its corporate governance policies and practices in light of the release of the third edition of the Corporate Governance Principles and Recommendations in March 2014.

Executive Directors undertook annual performance and remuneration reviews for the 30 June 2014 financial year conducted by the non-executive Directors in August 2014. Executive Directors are reviewed against a number of qualitative and quantitative factors relevant to their role and position.

Senior executives undertook annual performance and remuneration reviews conducted by an Executive Director. Senior executives are reviewed against a number of qualitative and quantitative factors relevant to their role and position.

Board structure and independence

The Company recognises the importance of having a Board comprising Directors with an appropriate range of backgrounds, skills and experience to suit the Company's current and future strategies and requirements. The composition of the board is determined by the application of the following principles:

- persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter;
- the Chairman should ideally be independent and be elected by the Board based on his suitability for the position;
- all Non-Executive Directors are expected voluntarily to review their membership of the board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company; and
- Executive Directors shall be expected to retire from the board on the relinquishment of their Executive role.

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations. The Company considers that the Board should have at least four Directors and will aim to have a majority of independent Directors (as required) but acknowledges that this may not be possible at all times due to the size of the Company.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- A balance sheet item is material if it has a value of more than 5% of pro-forma net assets or $50,000, whichever is greater.
- A profit and loss item is material if it will have an impact on the current year operating results of 5% or more.
- Items are also considered material if they impact the reputation of the Company, they involve a breach of legislation or a potential breach of legislation, if it they are outside the ordinary course of business, could affect the Company's rights to its assets, involve a contingent liability that would impact the balance sheet or profit and loss by 5% or more or if they have an effect on operations which is likely to result in a change in net income or dividend distribution of more than 5% upwards or downwards.
- A contract is considered material if it is one which is outside the ordinary course of business, includes exceptionally onerous provisions, any default of the contract may trigger the qualitative balance sheet or profit and loss materiality levels, is essential to the operations of the Company, contains or triggers change of control provisions or is between related parties.

The current Board includes two independent Non-Executive directors, David Sanders and David Smith (appointed 1 August 2014) and two executive directors Stephen Langsford and Simon Hodge. David Sanders and and David Smith fall within the requirements of an independent Director as stipulated in the ASX Principles & Recommendations, that is, no past or current material relationships exist between the Director and the Company that may affect their status as an independent Director. The Chairman of the Board is Stephen Langsford, an Executive Director.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board. At each Annual General Meeting, one third of the Directors must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

Details of the background, experience and professional skills of each Director and the Company Secretary are set out in the Directors' Report and are also available on the Company's website.

The Board Charter including a summary of the matters reserved for the Board and senior management are available on the Company's website.

Meetings of the Board

The Board meets formally as often as required. The agenda for Board meetings is prepared by the Company Secretary in consultation with the Chairman. Standard items include an operations report, financial reports, strategic matters, risk management and governance and compliance matters. Executives are available to participate in Board discussions as required.

Board access to information and independent advice

All Directors have unrestricted access to all employees of the Company and, subject to the law and the terms of Deeds of Access, Insurance and Indemnity, access to all Company records.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Conflicts of interest

In accordance with the Corporations Act, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Remuneration and Nomination Committee

Given the current size of the Board, the full Board acts as the Remuneration and Nomination Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Remuneration and Nomination Committee. To assist the Board to fulfill its function as the Remuneration and Nomination Committee, the Board has adopted a Remuneration and Nomination Committee Charter.

The responsibilities of the Committee include assisting the Board in relation to the selection and appointment practices of the Company, reviewing remuneration of the Directors and senior management, monitoring succession planning within the Board and reviewing employee incentive equity-based plans. The Committee reviews the Board's composition as required to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, candidates with the appropriate expertise and experience are considered. The Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

The Company has a Remuneration Policy adopted by the Board and a summary is available on the Company's website. Remuneration levels are competitively set to attract suitably qualified and experienced Directors and senior Executives, having regard for Company performance. Shareholders in general meeting have approved a Directors' fee pool limit of $200,000 from which Non-Executive Directors' fees may be paid. In order to monitor remuneration of the Board and in particular the Executive Directors, the Non-Executive Directors may seek guidance from external consultants where appropriate. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report and forms part of the Directors' Report for the financial year ended 30 June 2014.

The performance of the CEO (or equivalent) and other Executive Directors will be reviewed by the Board under the Charter of the Remuneration and Nomination Committee annually. The performances of the other executives and staff are reviewed on an annual basis by the Executive Directors.

There are no termination or retirement benefits for Non-Executive directors (other than for superannuation).

Pursuant to the Remuneration Policy, executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

The Remuneration and Nomination Committee Charter and information on the Company's policies on Re-election of Directors and Selection and Appointment of New Directors are available on the Company's website.

Company code of conduct

The Board has adopted a Company Code of Conduct to promote ethical and responsible decision making by all employees (including Directors). The Code embraces the values of honesty, integrity, accountability and equality and to strive to enhance the reputation and performance of the Company. In summary the overriding principles are:

- all employees must conduct their duties honestly and in the best interests of the Company as a whole;
- treat other stakeholders fairly and without discrimination;
- respect confidentiality and do not misuse Company information or assets;
- conduct themselves in accordance with both the letter and spirit of the law; and
- maintain a safe working environment.

A breach of the Code is subject to disciplinary action which may include termination of employment.

The Company's Code of Conduct is available on the Company's website.

Guidelines for dealing in securities

The Guidelines for Dealing in Securities adopted by the Board prohibits trading in shares by a Director or employee during certain blackout periods (in particular, prior to release of quarterly, half-yearly or annual results) except in exceptional circumstances and subject to procedures set out in the Guidelines.

Outside of these blackout periods, a Director or employee must first obtain clearance in accordance with the Guidelines before trading in shares. For example:

- A Director must receive clearance from the Chairman before he may buy or sell shares.
- If the Chairman wishes to buy or sell shares he must first obtain clearance from the Board.
- Other employees must receive clearance from the Managing Director (or equivalent) before they may buy or sell shares.

Directors and employees must observe their obligations under the Corporations Act not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

The Guidelines for Dealing in Securities is available on the Company's website.

Audit & Compliance Committee

Given the current size of the Board, the full Board acts as the Audit and Compliance Committee. The role of the Audit and Compliance Committee is set out in a Charter and its responsibilities include reviewing all published accounts of the Group, reviewing the scope and independence of external audits, monitoring and assessing the systems for internal compliance and control, legal compliance and risk management, and advising on the appointment, performance and remuneration of the external auditors.

The Company's auditor is Grant Thornton Audit Pty Ltd. They were appointed in November 2009. The auditor attends and is available to answer questions at the Company's annual general meeting.

Under the Audit and Compliance Committee Charter, the Audit and Compliance Committee provides recommendations to the Board in relation to the initial appointment of the external auditor and the appointment of a new external auditor should a vacancy arise. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Proposed external auditors must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. In addition, the successful candidate for external auditor must have arrangements in place for the rotation of the audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

The Company's CEO, Stephen Langsford, and the Chief Financial Officer, Simon Hodge, have provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

A copy of the Charter for the Audit and Compliance Committee is available on the Company's website.

Continuous disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the ASX and has adopted a comprehensive Information Policy.

The purpose of this Information Policy is to set out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying

- with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules; and
- ensuring the Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

The Company's Information Policy is reviewed periodically and updated as required.

The Information Policy is available on the Company's website.

Communications with shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner.

The Company will communicate information on its activities and financial performance through the issue of the annual and half-year financial reports, reports on activities and cash flows and through other announcements released to the ASX.

The Company posts all reports, ASX announcements, media releases and copies of newspaper reports on the Company's website at www.quickflix.com.au. The Company will, wherever practicable, take advantage of new technologies that provide greater opportunities for more effective communications with shareholders.

The Company will ensure that the annual general meeting is held in a manner that enables as many shareholders as possible to attend and encourages effective participation by shareholders. The Company requires the attendance of the external auditor at the Company's annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Shareholder Communications Policy is available on the Company's website.

Risk management

The Company's Risk Management Policy is available on the Company's website. Responsibility for control and risk management is delegated to the appropriate level of management with the CEO having ultimate responsibility to the Board for the risk management and control framework. The Audit and Compliance Committee assists the Board in monitoring this role.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established various financial and operational reporting procedures and other internal control and compliance systems in this regard. These include the following:

- the CEO is required to report on the management of risk as a standing agenda item at each Board meeting. This involves that tabling of a Risk Register which is actively monitored and updated by management. The categories of risks reported on in the risk register include operational, technological, product, financial and market related risks;
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive annual insurance programme is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Audit and Compliance Committee assists the Board by:

- reviewing with management the adequacy and effectiveness of internal control systems, expenditure controls and reporting systems;
- reviewing and evaluating risk management policies in the light of the Company's business strategy, capital strength, and overall risk tolerance;
- reviewing the adequacy of its insurance policies; and
- periodically reviewing the adequacy of accounting, financial, legal and other personnel resources.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the CEO that the Company's management of its material business risks are effective.

Diversity Policy

The Board has adopted a Diversity Policy. The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

The Remuneration and Nomination Committee is responsible for developing objectives and strategies to meet the objectives of the Diversity Policy and for regularly monitoring the progress against and achievement of these objectives. The Remuneration and Nomination Committee may also set measurable objectives for achieving gender diversity and monitor their achievement.

Given the size of the Company, no measurable objectives have yet been set however the Board continues to be committed to workplace diversity.

The Company has disclosed in this Annual Report the proportion of women full-time employees in the Company, in senior executive positions and on the Board.

	Female	Male
Board	-	4
Senior Executive	1	-
All Other Staff	21	50

The Company's Diversity Policy and Workplace Gender Equality – Public Report are available on the Company's website.

ASX LISTING RULE DISCLOSURE – EXCEPTION REPORTING

The following table discloses the extent to which Quickflix has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principal No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
2.1	The majority of the Board should be independent Directors.	The majority of the Board are not independent Directors. There are currently two independent and two non-independent Directors.	The Board considers that the Board possesses skills and experience suitable and appropriate in the context of the stage of development of the Company and the scope and scale of the Company's operations. The Board will consider the composition of the Board if deemed appropriate depending on the scope and scale of the Company's operations.
2.2	The chair should be an independent director.	Currently, the Company has an Executive Chairman.	The person has been selected as Chairman to bring specific skills and industry experience relevant to the Company. Given the size of the Company and the stage of its development, the Board considers that this appointment is appropriate.
2.3	The roles of Chair and CEO should not be exercised by the same person.	Currently, the Company has an Executive Chairman who also acts as the CEO.	The Board has selected Stephen Langsford to act as Chairman/CEO to bring specific skills and industry experience relevant to the Company. Given the size of the Company, the Board and the stage of its development, the Board considers that this appointment is appropriate.
2.4	The Board should establish a nomination committee.	The Board has not established a nomination committee. The role of the nomination committee is carried out by the full Board.	Given the present size of the Company and the size of the Board, the whole Board acts as the Remuneration and Nomination Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. However, it is noted the Board has adopted a Remuneration and Nomination Committee Charter.
3.3	The Company should disclose the measurable objectives for achieving gender diversity.	The Board has not established measurable objectives for achieving gender diversity.	The Board has established a Diversity Policy. Given the present size of the Company and its workforce, the Board believes that no efficiencies or other benefits could be gained through establishment of measurable objectives for achieving gender diversity. The Board will re-consider establishing measurable objectives for achieving gender diversity as the Company's workforce and operations grow.
4.1	The Board should establish an Audit Committee.	The Board has not established an Audit Committee. The role of the Audit and Risk Committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes that given the Company's size and stage of development and the size of the Board, no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. However, it is noted the Board has adopted an Audit and Risk Committee Charter.
4.2	The audit committee should be structured so that it consists of a majority of independent directors and have at least three members.	The Board has not established an Audit Committee. The role of the Audit and Risk Committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes that given the Company's size and stage of development and the size of the Board, no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. However, it is noted the Board has adopted an Audit and Risk Committee Charter.
8.1 and 8.2	The Board should establish a separate remuneration committee.	The Board has not established a remuneration committee. The role of a remuneration committee is carried out by the full Board.	Given the present size of the Company and the size of the Board, the whole Board acts as a Remuneration and Nomination Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in accordance with Corporations Act 2001 and ASX Listing Rule requirements, particularly in respect of related party transactions. No Director participates in any discussion or decision regarding his own remuneration or related issues. The Board has adopted a Remuneration and Nomination Committee Charter.

REMUNERATION REPORT (AUDITED)

Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. These corporate governance policies are described more fully on pages 11 to 16 as part of the Directors' Report. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors include fixed level of remuneration and performance based components.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable. Remuneration levels are reviewed annually by the board through a process that considers individual and overall Company performance.

Performance linked remuneration

Short-term incentives are provided as cash or shares at the election of the company. Long-term incentives are provided as options over ordinary shares of the Company.

In establishing incentives structures, the Board gives consideration to appropriate performance hurdles and measures to ensure that such plans operate to drive behaviour consistent with the creation of short-term and long-term shareholder wealth. The key performance indicators (KPIs) are set by the Remuneration and Compensation Committee. The KPIs target areas the Board believes hold greatest potential for Company expansion and profit, covering financial and non-financial as well as short and long-term goals. Performance in relation to the KPIs is assessed annually, with bonus payable in cash or shares.

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance. Significantly however, funds raised to date have enabled the establishment of the Company's online DVD rental and subscription streaming service including; the development of its IT platform, establishment of fulfilment centres, the development of significant partnering arrangements and the establishment of customer support and other organisation structures to manage the business. Since its IPO in June 2005, the Company has continued to grow; establishing its position in the market as Australia's leading independent provider of online movie rental and subscription streaming services and offering customers a choice of over 60,000 movie and TV series titles to rent or purchase.

Employment Agreements

Mr Stephen Langsford entered into an employment agreement with the Company in October 2013 replacing the previous consulting arrangement. The agreement is subject to an annual review. Either party may terminate the Agreement upon giving twelve months' notice. The Company has standard rights of termination in the event of unremedied or unremediable breaches, misconduct or insolvency. Mr Langsford is currently entitled to receive a salary package of $280,000 per annum. In addition, Mr Langsford is also entitled to participate in bonus schemes as established on the recommendation of the Board.

Mr Simon Hodge entered into an employment agreement with the Company in December 2010 replacing the previous consulting arrangement. The agreement is subject to an annual review. Either party may terminate the Agreement upon giving twelve months' notice. The Company has standard rights of termination in the event of unremedied or unremediable breaches, misconduct or insolvency. Mr Hodge is currently entitled to receive a salary package of $250,000 per annum. In addition, Mr Hodge is also entitled to participate in bonus schemes as established on the recommendation of the Board.

Voting and Comments made at the Company's last Annual General Meeting

Quickflix Limited received more than 90% of "yes" votes on its remuneration report for the financial year ending 30 June 2012. The company receives no specific feedback on its Remuneration Report at the Annual General Meeting.

Non-Executive Directors

Shareholders in a general meeting have approved a Directors' fee pool limit of $200,000 from which Non-Executive Directors' fees may be paid. The non-executive director fees have been set at a rate of $50,000 per annum.

Director and Executive disclosures

Details of Directors and Company Executives (including Key Management Personnel)

The Executive Directors and the Chief Executive Officer take part in the management of the Company and has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Directors and Chief Executive Officer would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 ("Act"). Remuneration details of the Company Secretary are disclosed as section 300A (1B) (a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

Directors and Key Management Personnel

Stephen Langford	Executive Chairman
Simon Hodge	Executive Director
David Sanders	Non-Executive Director
David Smith	Non-Executive Director

Company Executives (as defined by section 300A (1B) (a))

Susan Hunter	Company Secretary

	Short term			Post employment		Share based payments				
	Salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation $	Termination Benefits $	Shares $	Options $	Total $	Proportion of remuneration performance related %	Value of options as a proportion of remuneration %
Directors										
Stephen Langsford										
2014	262,661	59,886	-	17,821	-	-	52,045	392,413	19%	13%
2013	243,333	15,000	-	-	-	-	13,416	271,749	6%	5%
Simon Hodge										
2014	229,361	54,816	-	26,386	-	-	39,034	349,597	19%	11%
2013	208,333	13,761	-	19,989	-	-	10,062	252,145	6%	4%
David Sanders										
2014	45,485	-	-	4,516	-	-	3,903	53,903	0%	7%
2013	29,167	-	-	-	-	-	1,006	30,173	0%	3%
Jon Schahinger**										
2014	-	-	-	-	-	-	-	-	-	-
2013	8,601	-	-	774	-	-	-	9,375	0%	0%
Justin Milne***										
2014	-	-	-	-	-	-	-	-	-	-
2013	19,406	-	-	-	-	-	-	19,406	0%	0%
Susan Hunter*										
2014	-	-	-	-	-	-	-	-	-	-
2013	57,445	-	-	-	-	-	-	57,445	0%	0%
Total Compensation: Directors										
2014	537,506	114,702	-	48,723	-	-	94,983	795,913	18%	12%
2013	566,285	28,761	-	20,763	-	-	24,484	640,293	5%	4%
Executive Officers										
Chris Taylor***										
2014	-	-	-	-	-	-	-	-	-	-
2013	197,560	-	-	17,780	21,026	-	-	236,366	0%	0%
Total Compensation: Executive Officers										
2014	-	-	-	-	-	-	-	-	-	-
2013	197,560	-	-	17,780	21,026	-	-	236,366	0%	0%

*All fees paid to Susan Hunter relate to her services as Company Secretary in 2013. There was no Director fees paid to Susan Hunter during the year.

**Jon Schahinger resigned 07 September ***Justin Milne and Chris Taylor resigned 20 November 2012

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2014 reporting period by each of the Key Management Personnel of the Company; including their related parties are set out below.

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
Directors							
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
Total	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
Directors							
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
Executive Officers							
Chris Taylor (resigned 20/11/2012)	5,000,000	-	-	(5,000,000)	-	-	-
Total	14,000,000	36,500,000	(2,000,000)	(9,500,000)	39,000,000	20,750,000	20,750,000

Shares held by key management personnel

The number of ordinary shares in the Company during the 2014 reporting period held by each of the Company's Management Personnel, including their related parties, is set out below:

2014	Held at 1 July 2013	Granted as compensation in lieu of cash fees	Other net Movement	Held of approved at 30 June 2014
Directors				
Stephen Langsford	58,150,885	-	9,438,502	67,589,387
Simon Hodge	7,802,599	-	-	7,802,599
David Sanders	500,000	-	1,541,937	2,041,937
Total	66,453,484	-	10,980,439	77,433,923

2013	Held at 1 July 2012	Granted as compensation in lieu of cash fees	Other net Movement	Held or approved at 30 June 2013
Directors				
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)	-
Total	115,866,542	-	(49,413,058)	66,453,444

End of Remuneration Report (Audited.)

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 25 and forms part of the Directors' Report for the year ended 30 June 2014.

Signed in accordance with a resolution of the Board of Directors:

Stephen Langsford
Chairman and CEO

Dated at Perth this 15th day of September 2014

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Quickflix Limited

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

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L J Corder
Partner - Audit & Assurance

Sydney, 15 September 2014

Financial report

CONTENTS

These financial statements cover consolidated financial statements for the consolidated entity consisting of Quickflix Limited and its subsidiaries. The financial statements are presented in Australian currency.

Quickflix Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 40, 460 Stirling Highway
Cottesloe WA 6011

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 5 to 10 in the Directors' Report, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 15th September 2014. The Directors have the power to amend and reissue the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated Entity 2014 $	2013 $
Revenue from continuing operations	2	**18,043,965**	**19,235,089**
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)
Loss before income tax	3	**(11,057,978)**	**(8,031,378)**
Income tax refund/ (expense)	4	900,850	1,606,781
Loss for the year after tax		**(10,157,128)**	**(6,424,597)**
Other comprehensive income			
– exchange differences on foreign operations		(12,026)	(12,370)
Total comprehensive income for the year		**(10,169,154)**	**(6,436,967)**

Total comprehensive income is attributable to:			
Owners of Quickflix Limited		(10,169,154)	(6,436,967)
Non-controlling interest		-	-
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
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

	Note	Consolidated Entity 2014 $	2013 $
ASSETS			
CURRENT ASSETS			
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
TOTAL CURRENT ASSETS		3,369,109	3,370,310
NON-CURRENT ASSETS			
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
TOTAL NON-CURRENT ASSETS		6,447,187	7,223,391
TOTAL ASSETS		9,816,296	10,593,701
LIABILITIES			
CURRENT LIABILITIES			
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	-
TOTAL CURRENT LIABILITIES		20,358,102	16,138,170
NON-CURRENT LIABILITIES			
Borrowings	18	-	914,844
Provisions	19	59,321	66,944
Other financial liabilities	20	37,137	-
TOTAL NON-CURRENT LIABILITIES		96,458	981,788
TOTAL LIABILITIES		20,454,560	17,119,958
NET ASSETS / (LIABILITIES)		(10,638,264)	(6,526,257)
EQUITY			
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)
TOTAL EQUITY / (DEFICIENCY)		(10,638,264)	(6,526,257)

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 $
CONSOLIDATED ENTITY					
Balance at 30 June 2012	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)
Transactions with owners in their capacity as owners:					
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)
Balance at 30 June 2013	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)
Transactions with owners in their capacity as owners:					
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)
Balance at 30 June 2014	**39,865,063**	**(52,167,259)**	**1,688,328**	**(24,396)**	**(10,638,264)**

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 $
CASH FLOWS FROM OPERATING ACTIVITIES			
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)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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 increase/(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

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Quickflix Limited and subsidiaries (the Group) principal activities include the development and operation of an online movie subscription and retail service.

General information and statement of compliance

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

Quickflix Limited is the Group's Ultimate Parent Company. Quickflix Limited is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Suite 40 460 Sterling Highway Cottesloe WA 6011, Australia.

The consolidated financial statements for the year ended 30 June 2014 were approved and authorised for issue by the Board of Directors on 15 September 2014

Accounting policies

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.

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 segment is 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 segment, has been identified as the CEO. The Group has identified its operating segment 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 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 judgement - 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 or value in use is determined.

Key estimates – financial instruments

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

	Consolidated Entity	
	2014	2013
	$	$
From continuing operations		
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

	Consolidated Entity	
	2014	2013
	$	$
Expenses		
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
	$	$
Major components of income tax expense		
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 included in the remuneration report.

NOTE 6: AUDITOR'S REMUNERATION

	Consolidated Entity	
	2014 $	2013 $
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

	Consolidated Entity	
	2014 $	2013 $
a. Basic loss per share	(1.07)	(1.35)
b. Earnings used to calculate basic EPS	10,157,128	6,424,597
	No.	No.
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 has a total of 81,215,251 share options at 30 June 2014 which have an anti-dilutive impact on the loss per share, and therefore are not included in the calculation.

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2014	2013
	$	$
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

NOTE 9: TRADE AND OTHER RECEIVABLES

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

NOTE 10: INVENTORIES

	Consolidated Entity	
	2014	2013
	$	$
CURRENT		
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

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

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 $
Consolidated Entity						
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

	Consolidated Entity	
	2014 $	2013 $
Goodwill		
Cost	-	77,816
Net carrying amount	-	77,816
Software		
Cost	390,858	387,903
Accumulated amortisation	(353,961)	(282,873)
Net carrying amount	36,897	105,030
Technology platform		
Cost	8,144,201	7,357,177
Accumulated amortisation	(6,337,574)	(4,555,257)
Net carrying amount	1,806,627	2,801,920
Digital Content and Ingest		
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
	$	$	$	$	$
Consolidated Entity					
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
	$	$
CURRENT		
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
	$	$
CURRENT		
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 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 $	Consolidated Entity 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
Fair Value of shares issued	$0.01
Total number of shares issued	106,000,000

NOTE 19: PROVISIONS

	Consolidated Entity 2014 $	Consolidated Entity 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.

	Consolidated Entity	
	2014	2013
	$	$
Other financial liabilities - current	6,045	-
Other financial liabilities - non-current	37,137	-

NOTE 21: ISSUED CAPITAL

			Consolidated Entity	
	2014	2013	2014	2013
	Shares	Shares	$	$
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.

(a) Ordinary shares

Date	Details	Notes	Number of shares	Issue price	
				$	$
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	-	-
12 February 2013	Shares to Employees**	(i)	1,778,601	-	-
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.

(b) 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.

	Consolidated Entity			
	2014 No.	2014 Exercise price $	2013 No.	2013 Exercise price $
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	

(c) 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

(d) 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

		Consolidated Entity	
		2014	2013
		$	$
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.

	Consolidated Entity	
	2014	2013
	$	$
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:

	Consolidated Entity	
	2014	2013
	$	$
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 segment 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 subscription service which includes streaming which was launched last financial year.

NOTE 25: CASH FLOW INFORMATION

	Consolidated Entity	
	2014	2013
	$	$
Reconciliation of cash flow used in operations with loss after income tax		
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.

	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
Consolidated Entity	%	%	$	$	$	$	$	$	$	$	$	$
Financial assets:												
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	386,073
Total financial assets			2,410,824	2,319,831	605,798	386,073	-	-	100,893	349,983	3,117,515	3,055,887
Financial liabilities:												
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
Total financial liabilities			-	-	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:

	Consolidated Entity	
	2014	2013
	$	$
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:

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

	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
	8,585,794	11,305,345

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
AAASB 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.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Quickflix Limited:

   a. the consolidated financial statements and notes of Quickflix Limited are in accordance with the *Corporations Act 2001*, including

      i. giving a true and fair view of its financial position as at 30 June 2014;

      ii. and of its performance for the financial year ended on that date; and

      iii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b. there are reasonable grounds to believe that Quickflix Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

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

Stephen Langsford

Executive Chairman

Dated this 15th day of September 2014

GrantThornton

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Independent Auditor's Report
To the Members of Quickflix Limited

Report on the financial report

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

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's opinion
In our opinion:

a the financial report of Quickflix Limited is in accordance with the Corporations Act 2001, including:

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

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

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

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1(d) in the financial report which indicates that the consolidated entity incurred a net loss of $10,157,128, net operating cash inflow of $11,735 during the year ended 30 June 2014, and a deficiency of assets of $10,638,264. The Company has an intention to raise further capital in the next twelve months to fund the operations and investment activities. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity maybe unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 18 to 21 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

L J Corder

L J Corder
Partner - Audit & Assurance

Sydney, 15 September 2014

ADDITIONAL ASX INFORMATION

THE FOLLOWING ADDITIONAL INFORMATION IS REQUIRED BY THE AUSTRALIAN SECURITIES EXCHANGE. THE INFORMATION IS CURRENT AS AT 10 SEPTEMBER 2014.

(a) Distribution schedule and number of holders of equity securities as at 10 September 2014

Security	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (QFX)	69	156	366	1,835	1,270	3,696
Convertible Preference Shares	-	-	-	-	1	1
Employee Performance Rights	-	-	-	3	25	28
Unlisted Options – $0.085 9/12/15	-	-	-	-	1	1
Unlisted Options – $0.0312 8/3/18	-	-	-	-	1	1
Director Unlisted Options – $0.022 3/6/16	-	-	-	-	3	3
Unlisted Options – 5c 28/7/16	-	-	-	-	1	1
Unlisted Options – 8.5c 9/12/15	-	-	-	-	1	1
Unlisted Options – 8.5c 9/12/16	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 10 September 2014 is 1,596.

(b) 20 Largest holders of quoted equity securities as at 10 September 2014
The names of the twenty largest holders of fully paid ordinary shares (ASX code: DAU) as at 10 September 2014 are:

Rank	Name	Units	% of Units
1	CASHEL CAPITAL PARTNERS FUND 1 PTE LTD <CASHEL CAPITAL PARTNERS A/C>	222,354,677	14.60
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	58,825,890	3.86
3	SKED PTY LTD <SUPER FUND A/C>	53,000,000	3.48
4	BIRKETU PTY LTD	31,200,000	2.05
5	PROVIDER PTY LTD <KHG FAMILY A/C>	26,296,197	1.73
6	CITICORP NOMINEES PTY LIMITED	24,395,340	1.60
7	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	23,913,820	1.57
8	WIN CORPORATION PTY LIMITED	21,771,839	1.43
9	KING & SVENSON PTY LTD <RG KING SUPER FUND A/C>	15,083,875	0.99
10	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	14,731,051	0.97
11	MR JOSEPH DAVID PHILLIPS + MRS ELENA BOCAUTO <PHILLIPS SUPER FUND A/C>	13,904,472	0.91
12	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	11,208,571	0.74
13	TROJAN CAPITAL PTY LTD <THE BRAE HOUSE A/C>	10,580,658	0.69
14	GUARANTY FINANCE INVESTORS LLC	10,576,554	0.69
15	MR JOHN CARTHEW WILLIAM BURSTON <BURSTON FAMILY A/C>	10,000,000	0.66
16	MR NICHOLAS JOHN EGGERS	10,000,000	0.66
17	MS STELLA NG + MR IAN QUAHE	9,500,000	0.62
18	TROUBADOUR HOLDINGS LIMITED	9,437,476	0.62
19	CINU INVESTMENTS PTY LIMITED <THE UNIC A/C>	9,000,000	0.59
20	MCDONNELL COMMUNICATIONS RESEARCH PTY LTD <SUPER FUND A/C>	8,500,000	0.56
	Total	**594,280,420**	**39.01**

Stock Exchange Listing – Listing has been granted for 1,523,354,440 ordinary fully paid shares of the Company on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 10 September 2014 are detailed below in part (d).

(c) Substantial shareholders

Substantial shareholders in Quickflix Limited and the number of equity securities and percentage of issued capital held over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

Substantial Shareholder	No. Shares Held	% of Issued Capital
Cashel Capital Partners Fund 1 Pte Ltd	**222,354,677**	16.35
Crede CG II Ltd & related entities	**70,358,753**	13.36

(d) Unquoted Securities

The number of unquoted securities on issue as at 10 September 2014:

Security	Number on Issue
Redeemable Convertible Preference Shares	91,165,092
Employee Performance Rights	11,700,000
Unlisted options exercisable at $0.085, on or before 9 December 2015	2,500,000
Unlisted options exercisable at $0.0312, on or before 8 March 2018	42,215,251
Unlisted options exercisable at $0.022, on or before 3 June 2016	36,500,000

(e) Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 10 September 2014

Security Holder	Security	No. Options Held
StreamCo Media Pty Limited	Redeemable Convertible Preference Shares	91,165,092
Crede CG II Ltd	Unlisted options exercisable at $0.0312, on or before 8 March 2018	42,215,251

(f) Restricted Securities as at 10 September 2014

The following ordinary shares issued to certain employees of the Company are subject to voluntary escrow provisions as follows:

Number of Fully Paid Ordinary Shares	Restriction Period
1,928,556	Under voluntary escrow until 3/2/17.

There are no other restricted securities on issue as at 10 September 2014.

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options and performance rights have no voting rights.

Redeemable convertible preference shares do not have any right to attend or vote at any general meeting of the Company except (i) as permitted by Listing Rule 6.3 of the ASX Listing Rules or (ii) where a resolution is proposed for, or in relation to, any amendment to the terms of issue of the redeemable convertible preference shares in which case the holder is entitled to vote only upon such resolution and (in relation only to a vote at a general meeting of the Company, if present in person or by proxy) will have one vote in respect of each redeemable convertible preference share it holds.

(h) Company Secretary

The Company Secretary is Ms Susan Hunter.

(i) Registered Office

The Company's Registered Office is Suite 40, 460 Stirling Highway, Cottesloe, WA, Australia, 6011.

(j) Share Registry

The Company's Share Registry is Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000. Telephone 1300 557 010.

(k) On-Market Buy-back

The Company is not currently performing an on-market buy-back.

www.quickflix.com.au