adg
global supply

ANNUAL REPORT 2014

CORPORATE DIRECTORY

ABN 16 082 341 197

DIRECTORS

David Schwartz	Chairman
John Mancini	Managing Director
Charles Morgan	Non-Executive Director

SECRETARY
Paul Roberts

CHIEF FINANCIAL OFFICER
Paul Roberts

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA
19 Walters Drive Osborne Park WA 6017

SHARE REGISTER
Boardroom Pty Limited
Level 7, 207 Kent Street Sydney NSW 2000

AUDITOR
RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000

SOLICITORS
Steinepreis Paganin
Level 4 The Read Building 16 Milligan Street Perth WA 6000

BANKERS
ANZ
77 St Georges Terrace Perth WA 6000

STOCK EXCHANGE LISTING
ADG Global Supply Limited shares are listed on the Australian Securities Exchange ASX Code : ADQ

WEBSITE ADDRESS
www.adgglobalsupply.com

CONTENTS

About ADG Global Supply	**4**
Board of Directors	**5**
FY2014 Overview	**6**
Comparative Financials	**6**
Chairman and Managing Director's Report	**7**
FY2014 Financial Report	**11**

ADG Global Supply is a global products and services company who specialise in providing tailored solutions to solve supply chain challenges for our customers operating across Africa, Australia and Asia

About ADG

Established in 1994, ADG Global Supply ("ADG") provides industrial products, global procurement and supply chain management services to clients in key regions of Africa, Asia and Australia.

The Company has offices in Australia, the United Kingdom, South Africa and Sierra Leone.

As a products and services company, ADG knows that no matter what industry you operate in, supply chain effectiveness is critical to your success. This is why ADG combines its extensive industrial product offer with a range of services to support clients' supply chain needs.

Industrial Products

ADG's Industrial Products business manufactures and distributes industrial products including products for MRO (maintenance, repairs & operations), workwear, personal protective equipment and off - the-road tyres.

Our clients benefit from access to technical product specialists and a range of quality, cost effective products that are tested to Australian and International standards.

Stock is located in global distribution centres to ensure streamlined, reliable delivery to clients' sites.

Global Procurement

ADG provides clients with a single contact for the international sourcing and supply of products and capital equipment.

ADG's dedicated account managers become an extension of clients' purchasing departments.

Our clients are able to reduce their operating costs through less down time, more effective supplier management and access to global pricing options.

ADG's multi-sourcing options covers 4,500 suppliers across 45 countries. This is supported by world-class information systems.

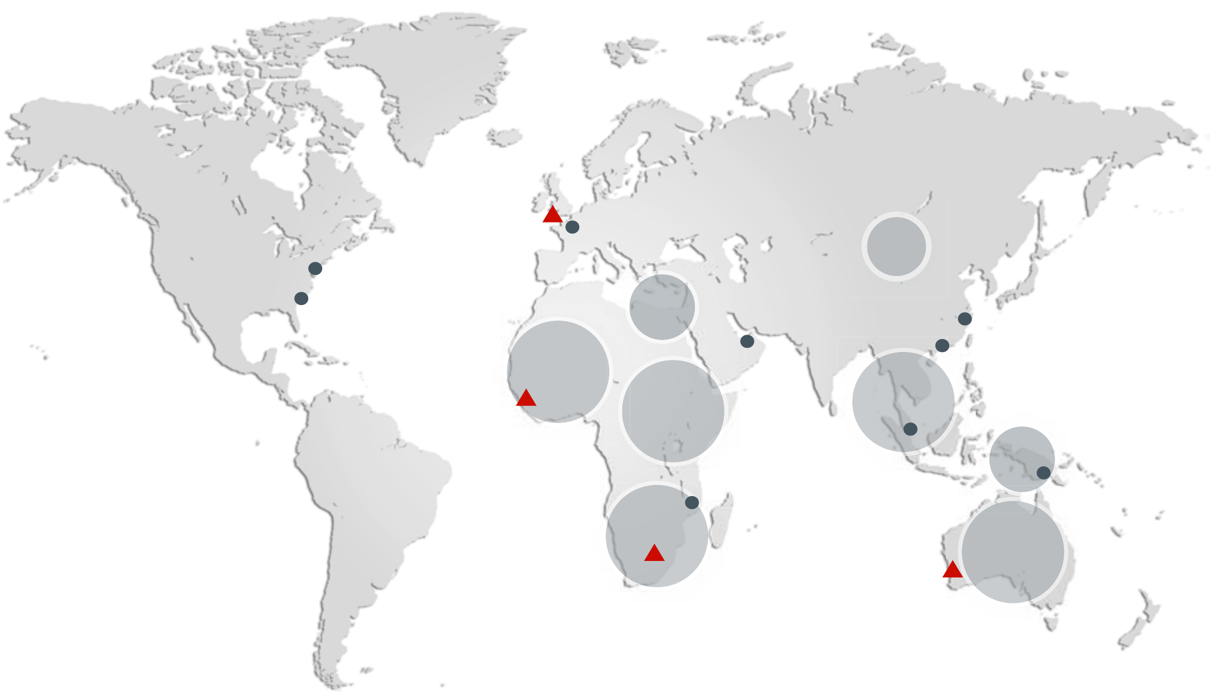
Supply Chain

ADG delivers a range of supply chain management services including global logistics, inventory management, freight forwarding, in-country operations and logistics support.

With extensive expertise and experience in developing countries and remote site supply, ADG's specialist services manage the end-to-end supply chain for clients.

Our clients have the confidence that their operation will run efficiently, with less waste and more certainty that their supply needs will be met, no matter the location.

Global Reach



Key Client Activity Regions ▲ Offices & Distribution Centres ● Additional partners and hubs

Board

David Schwartz

Non-Executive Chairman
Age 60

Mr David Schwartz joined the ADG Board in May 2008 as the Non-Executive Director and Chairman. He is also a Non-Executive Director of Clime Investment Management Limited, Schaffer Corporation Limited and Betts Group Limited.

He has over 25 years of experience managing successful companies including Primewest Management Group which manages an investment portfolio of over $2 billion. David chairs the Audit, Nomination and Remuneration Committees.

John Mancini

Managing Director
Age 45

Mr John Mancini became Managing Director of ADG in January 2010 after joining the Company in January 2008 as an Executive Director and head of Sales & Marketing.

He was previously an Associate Director in Ernst & Young's strategic growth markets division. John also previously sat on the advisory board for two unlisted entities assisting one of them to grow and carry out a successful exit strategies. He was previously Chairman on the Board of Children's charity, Variety WA. John Mancini holds a business degree (Bachelor).

Charles Morgan

Non-Executive Director
Age 55

Mr Charles Morgan joined the Board of ADG Global Supply in October 2012. He has extensive experience in equity capital markets both as a merchant banker with Morgan Grenfell and broker with McCaughan Dyson and BZW Securities.

Over the last 20 years he has been a principal in numerous start-ups in oil and gas, mining and technology, several of which have been listed on the ASX and AIM.

FY2014 In Review

Key Achievements

- 35% reduction in costs from the previous year
- New working capital facilities of $1.8m
- Minor strategic capital raising for $285k
- Latest edition of ADG's new look Global Guide released in three company brands
- In July 2013, signed a Joint Venture Agreement for majority owned Indigenous supply business with strong mandate for Indigenous employment, training and local community engagement

Clients

- Experienced a 93% drop in sales revenue from off-the-road tyres and sales from drilling clients
- Overall revenue reduction held to 53% across the group due to diversification strategy
- $10m in revenue attributed to sales growth from new clients
- Major Australian drilling client placed in liquidation leading to $1.8m bad debt write down

Strategy

- ADG's Industrial Products strategy introduced new opportunities for category tenders, with six new supply contracts now in place
- Continued focus on point of difference in product innovation, world-class systems and integrated solutions
- New Australian JV company driving growth in local market
- Focus on diversification introduced new clients across various markets

Markets

- Global minerals industry cyclical downturn continued throughout FY14
- Off-the-road tyres market experienced stronger supply than demand leading to stock surplus levels globally
- Capital expenditure in Australian mining industry, which includes investment into new projects and equipment, fell 10.9% last year

Comparative Financials

	Consolidated		
	2012 $'000	2013 $'000	2014 $'000
Revenue (excluding interest income)	83,682	79,374	37,015
Gross margin % (excluding interest income)*	15.9%	13.7%	12.4%
Operating profit / (loss) before tax, depreciation & amortisation	3,634	(209)	(2,927)
Bad debt write off	-	-	(1,733)
Depreciation and amortisation	(285)	(551)	(409)
Operating profit / (loss)	3,349	(760)	(5,069)
Impairment of intangible assets	-	-	(7,818)
Inventory provision	(314)	(286)	(3,901)
Earnings / (loss) before interest & tax	3,035	(1,046)	(16,788)
Finance costs	(414)	(475)	(562)
Net profit / (loss) before tax	2,621	(1,521)	(17,350)
Income tax revenue / (expense)	(869)	490	(659)
Net profit / (loss) for the year after tax	1,752	(1,031)	(18,009)
Net cash inflow / (outflow) provided by operating activities	(4,052)	(1,563)	(1,998)
Cash on hand	1,434	2,895	226
Net assets	18,315	20,447	2,830
Total borrowings	5,709	8,228	7,310
Total shares on issue	224,049	287,956	316,474
Net tangible assets per share (cents per share)	4.51	4.29	0.86
Earnings per share (cents per share)	0.79	(0.42)	(6.10)

* excluding inventory provision

Dear Shareholders,

Our dedicated strategy over the past few years has been to shift the traditional "*procurement*" ADG business model to one that drives sustainable contract revenue and delivers truly integrated client solutions. During 2014, despite difficult trading conditions, this strategy led to ADG securing six new client contracts with an additional three contracts signed post 30 June.

During FY14, the widely reported cyclical downturn in the resource sector had a significant impact across new project and exploration activities and operating spend. With the vast majority of our key clients involved in the resource sector, this delivered a material impact to our financial results. Combined, sales from our drilling clients and sales of off-the-road tyres fell by 93%. In the face of this, overall revenue for the group was 53% down from the previous year, testament to our diversification strategy over the year.

In light of the trading conditions in the past year, and to best position the company for the year ahead, ADG's Board made a number of one-off balance sheet adjustments. This comprised a write off of all goodwill associated with the business ($7.8m) and impairment of stock by $3.9m. This was in addition to a bad debt write down as reported during the year of $1.8m.

Financial and Operational Overview

- Revenue for the full year of $37.0m (FY13: $79.4m)
- Gross profit before inventory provision of $4.6m (FY13: $10.9m)
- Operating loss of $5.1m before inventory provision & goodwill impairment (FY13: loss $760k)
- EBIT loss of $16.8m (FY13: loss $1.0m)
- An overall net loss after tax of $18.0m (FY13: loss $1.0m)
- Six new client contracts secured
- New joint venture partnership - Matera Supply - an Indigenous distribution company
- 35% reduction in costs from the previous year ($4m in savings)
- New working capital facilities of $1.8m and $285k capital raised
- Latest version of the Global Guide released in November 2013 in 3 company brands
- New partnerships with 70+ Original Equipment Manufacturers globally

Financial Position

ADG's net asset position at 30 June 2014 was $2.8m (FY13 $20.4m) primarily due to goodwill impairment and inventory provisions.

For the full year, the Company had an operating cash outflow of $2m. Cash and cash equivalents at year end were $226k (2013: $2.9m).

$1.3m was repaid in bank debt. At 30 June 2014 ADG had unutilised debt facilities of $1.6m (2013: $1.0m). Debt stood at $7.3m, an decrease by $0.9m from FY13.

Dear Shareholders, (continued)

Inventory
Inventory levels reduced to $5m from $9m in FY13, due in part to the stock impairment provision.

This provision reflects the impact of an agency agreement signed by ADG in late 2012 for off-the-road tyres. 50% of stock was sold under normal market conditions.

From late FY13, declining market conditions coupled with an oversupply in the global market and an order cancellation led to excessive inventory levels and the subsequent stock provision.

Business Activity Review
Our value to clients is in our integrated offer across industrial products, procurement and supply chain services.

Industrial Products
Our industrial products strategy has evolved strongly over the past 12 months, providing new opportunities to participate in category tenders and further develop our strategic supplier program. The Global Guide has grown to 16 product and equipment categories and featuring over 100 brands. In November 2013, the Guide was released in three corporate brands in line with key markets.

Going forward, ADG will be focused on growing our safety product offer with client demand for product innovation high in this category.

ADG's industrial products business supports sales across the entire group and forms a strong platform for our procurement offer for clients. It is characterised by our own BROQ products as well as our preferred supplier partnerships with global leading brands.

While the industrial products business as a whole remains a key strategy for growth, this area has been significantly impacted by our off-the-road tyre business as mentioned in this report.

Global Procurement
Our capability in Global Procurement allows us to support our clients with multi-sourcing options, global pricing and cost savings. FY14 saw a $7m drop in revenue for this part of the business. This was mainly due to the reduction in drilling activity which is one of our traditional key client groups for procurement services.

In a positive development, ADG's procurement client portfolio has diversified over the past 12 months with new clients across construction, oil & gas and engineering.

The latest version of the Global Guide was released in three corporate brands...

Dear Shareholders, (continued)

Supply Chain
We have strong in-house expertise across the supply chain areas of logistics, inventory management, remote site operational support and IT systems. For example, our online order tracking technology, ADGLink, provides a strong point of difference. ADGLink provides visibility across the entire supply chain from point of order to arrival on site.

Despite a challenge year, our ability to improve supply chain management for clients has allowed us to successfully tender and win contracts that incorporate supply chain as a part of an integrated solution.

A focus on West Africa
West Africa represents a major growth opportunity for ADG.

Based on new client contracts and existing client relationships, ADG has increased its presence in West Africa with establishment of a local Sierra Leone entity and in-country support teams working on client sites.

At the time of preparing this report, the eyes of the world are on West Africa due to the current situation with Ebola. Our team in Sierra Leone are currently operating in a region that Ebola has not yet affected. The safety of our team is our highest priority and we are continually monitoring the situation.

ADG, together with our clients, is working to minimise the risks to both our people and operations.

A new Indigenous Joint Venture
In July 2013, a Joint Venture Agreement was signed to develop Matera Supply Pty Ltd. Matera Supply is an industrial and safety supplier with added capability for international procurement. The JV Company is able to tap into ADG's international supplier base and product range to offer a strong value proposition to Matera Supply clients.

Matera Supply is a majority owned and operated Indigenous business with a strong mandate for Indigenous employment, training and local community engagement.

Strategy and Outlook
Our transition from servicing predominately exploration and project based mining clients to a diversified client portfolio is bringing less volatility to our business.

Our outlook and return to a profitable position does not overly rely on a recovery in sales of off-the-road tyres or a resurgence in mining exploration. Any recovery from these areas will be an added benefit to ADG.

Our strategy is focused on new and current client growth as well as a continued focus on improving working capital management and cost management.

Further, we are committed to continually building our capability in industrial products, procurement and supply chain. Building our own capability will bring more value to our clients and in turn allow us to become an integrated partner to assist them to improve their bottom line.

As always, we would like to sincerely thank the Board, ADG Management and team and our Shareholders for your ongoing support.

David Schwartz
Chairman

John Mancini
Managing Director

Financial Report

Director’s Report	12
Auditor’s Independence Declaration	20
Corporate Governance Statement	21
Statement of Comprehensive Income	26
Statement of Financial Position	27
Statement of Cashflows	28
Statement of Changes in Equity	29
Notes to Financial Report	30
Directors’ Declaration	67
Independent Auditor’s Report	68
ASX Additional Information	70

Directors' Report for the year ended 30 June 2014

The directors present their report, together with the financial statements of the consolidated entity, being the company and its controlled entities, for the financial year ended 30 June 2014.

Directors

The following persons were Directors of ADG Global Supply Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr David Schwartz

Mr John Mancini

Mr Charles Morgan

Mr Michael Arnold (resigned 25 October 2013)

Principal Activities

The principal activities of the consolidated entity consisted of the provision of industrial and safety products and global procurement and supply chain management services to clients across a range of industries in key regions of Africa, Asia and Australia.

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

Significant Changes in State of Affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Operating Results and Review of Operations for the Year

The consolidated net loss after providing for tax amounted to $18.009 million (2013: loss $1.031 million). Excluding an impairment of $3.9 million for inventory and $7.8 million for goodwill, the consolidated entity's earnings before interest and taxation for the year ended June 2014 is a loss of $5.1 million (2013: loss $1.0 million).

The impairments recognise the challenges presented by current market conditions, and the impact to FY2014 trading results. The Board has taken a prudent approach to raise necessary impairment provisions to realign inventory to current market value and write off all goodwill in this financial year.

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

Revenue for the 2014 financial year was $37.0 million (2013: $79.4 million) with gross profit before inventory impairment of $4.6 million (2013: $10.8 million).

A review of the consolidated entity's activities during the financial year, the results and financial position are set out in the Chairman's Report.

Dividends

There were no dividends paid or declared for payment during the financial year.

Events after the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated entity, the results of those operations, and the state of affairs of the consolidated entity in future financial years.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The operations of the consolidated entity are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Report for the year ended 30 June 2014

DIRECTORS' QUALIFICATIONS

The names, qualifications, and experience of the consolidated entity's Directors in office during the year ended 30 June 2014 ("the Financial Year") and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name	Role	Age	Particulars
Mr D Schwartz	Independent, Non Executive Chairman	60	• Independent non-executive Director • Chair of the Audit, Nomination & Remuneration Committee • 25+ years of experience managing a range of successful companies • Director of Primewest Management Group which manages an investment portfolio of over $2 billion • Extensive experience in international procurement through his private businesses Pascoes Pty Ltd, a chemical manufacturer and distributor, and ToLife Technologies Pty Ltd
Mr J Mancini	Managing Director	45	• Managing Director • Bachelor of Business
Mr C Morgan	Non-Executive Director	55	• 25 years of experience in equity capital markets and resource & energy related projects • Currently Director of Grand Gulf Energy Limited.
Mr M Arnold	Non-Executive Director - resigned 25th October 2013 (Chief Operating Officer - resigned 1st July 2013)	47	• Member of the Australian Institute of Company Directors • Experienced senior management executive with over 25 years of logistics and supply chain management experience within a number of market leading logistics organisations in Australia

Directorships held in other listed companies

Name	Company	Position	Period of Directorship
Mr D Schwartz	Schaffer Corporation Limited Clime Investment Management Limited	Non-Executive Director Non-Executive Director	Since 1999 Since 1998
Mr J Mancini	-		
Mr C Morgan	Grand Gulf Energy Limited	Chairman	Since 2006
Mr M Arnold	-		

INTERESTS IN THE SECURITIES OF THE COMPANY

Name	Ordinary Shares	Options
Mr D Schwartz	27,184,449	-
Mr J Mancini	14,602,968	-
Mr C Morgan	32,025,160	-
Mr M Arnold	-	-

COMPANY SECRETARY

The Company Secretary is Mr Paul Roberts CPA ACMA.

Mr Roberts was appointed to the position of Company Secretary in February 2012. He has also been the Chief Financial Officer since November 2010. Mr Roberts has over 20 years of Australian and international experience in a number of key financial roles. Mr Roberts is a member of the Australian Society of Certified Practising Accountants and Chartered Institute of Management Accountants.

MEETING OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2014 and the numbers of meetings attended by each Director were:

	Full meeting of Directors		MEETING OF COMMITTEES					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Mr D Schwartz	9	9	4	4	1	1	1	1
Mr J Mancini	9	9	2	4	1	1	1	1
Mr C Morgan	8	9	1	4	1	1	1	1
Mr M Arnold	1	3	2	2	1	1	1	1

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

REMUNERATION REPORT

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

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

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Link between remuneration policy and Company performance

The information provided in this remuneration report is also included in the financial report which has been audited as required by section 308(3C) of the Corporations Act 2001.

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

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, where appropriate, the consolidated entity has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price,and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

A. Principles used to determine the nature and amount of remuneration (continued)

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The remuneration framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority within the consolidated entity, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors. The Corporate Governance Statement provides further information on the role of this committee.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

The Chairman's remuneration is inclusive of committee fees and other non-executive Directors who are members of a committee; do not receive additional yearly fees.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum and was approved by shareholders at the Annual General Meeting on 20 November 2008

The current remuneration was last reviewed effective from 1 August 2013 and the fees listed below reflect this review.

Chairman	$52,000
Non-Executive Director	$30,000

Executive Directors and Key Management Personnel

The executive pay and reward framework has currently the following component:

- base pay and benefits, including superannuation;
- short-term performance based incentives; and
- long-term incentives.

Base pay

This is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards.

External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role as appropriate. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any executives' contracts.

Benefits

Executives receive, in the majority, cash in lieu of benefits.

Short-term performance based incentives

Senior executives are offered short-term, cash, performance based incentives which are linked into specific performance targets including profitability and other operational objectives.

Long-term incentives

Senior executives are also offered long-term, share based incentives through the Consolidated Entity's Employee Share Plan which was approved by shareholders at the Annual General Meeting on 21 November 2012.

B. Details of remuneration

The key management personnel of the consolidated entity are the Directors of ADG Global Supply Limited that held office during the financial year, and the following executive:

P Roberts – Chief Financial Officer/Company Secretary

Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel of the consolidated entity (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

	SHORT-TERM			POST-EMPLOYMENT		SHARE BASED PAYMENT	TOTAL
	Salary & Fees $	Cash Bonus $	Non Monetary benefits $	Superannuation $	Retirement Benefits $	Options $	$
30 June 2014							
David Schwartz	53,667	-	-	-	-	-	**53,667**
Charles Morgan	31,350	-	-	-	-	-	**31,350**
John Mancini	268,287	-	-	24,817	-	27,435	**320,539**
Michael Arnold*	17,193	-	-	1,590	-	-	**18,783**
Paul Roberts	162,972	-	-	15,075	-	2,020	**180,067**
TOTAL	**533,469**	**-**	**-**	**41,482**	**-**	**29,455**	**604,406**

*Michael Arnold resigned 25 October 2013
For year ended 30 June 2014, no bonuses were paid.

	SHORT-TERM			POST-EMPLOYMENT		SHARE BASED PAYMENT	TOTAL
	Salary & Fees $	Cash Bonus $	Non Monetary benefits $	Superannuation $	Retirement Benefits $	Options $	$
30 June 2013							
David Schwartz	72,000	-	-	-	-	-	**72,000**
Charles Morgan	31,849	-	-	-	-	-	**31,849**
John Mancini	340,000	81,125[1]	-	25,000	-	29,778	**475,903**
Michael Arnold	310,000	74,250[1]	-	25,000	-	24,815	**434,065**
Paul Roberts	181,281	30,000[1]	-	16,315	-	7,114	**234,710**
TOTAL:	**935,130**	**185,375**	**-**	**66,315**	**-**	**61,707**	**1,248,527**

[1] Bonus paid related to results from FY2012. Approved by the Board in September 2012. For year ended 30 June 2013, no bonuses will be paid to Executive or Management as per the Chairman and MD Report, as part of cost saving review relating to reduction of remuneration and fees for FY2014.

C. Service agreements

On appointment to the Board, all non-executive Directors receive a letter including details of the agreed remuneration. No service agreements are in place with non-executive Directors.

Remuneration and other terms of employment for the Managing Director, Chief Financial Officer and other key management personnel are formalised in service agreements. Each of these agreements provide for the terms of employment and all relevant details of executive remuneration.

Other major provisions of the agreements relating to remuneration are set out below. All contracts with senior management may be terminated early by either party with three months' notice with the exception of executives with notice periods as follows, Mr. John Mancini-twelve months, Mr. Paul Roberts-six months. The agreements above may be terminated by the Company without any notice under certain circumstances.

C. Service agreements (continued)

J Mancini, Managing Director

- Term of agreement - on-going commencing 18 January 2010.
- Original Base salary $340,000 per annum. Due to challenging business performance in the FY14 year, salary was reduced to $310,000 per annum in July 2013, and further to $248,000 in October 2013. At 30 June 2014 salary was $248,000 per annum, exclusive of superannuation.
- Salary is reviewed annually by the remuneration committee.
- A cash bonus of up to 50% of base salary upon achieving certain profitability targets at the discretion of the Chairman. No bonus was paid in the year ended 30 June 2014, due to business results in FY2014.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the base salary for the remaining term of the notice period.

M Arnold, Executive Director

- Resigned as Chief Operating Officer – effective 1 July 2013.
- Resigned as Non-Executive Director – effective 25 October 2013.

P Roberts, Chief Financial Officer

- Term of agreement - on-going commencing 25 November 2010.
- Original Base salary $181,281 per annum. Due to challenging business performance in the FY14 year, Salary was reduced to $180,000 per annum, in July 2013, and further to $134,000 per annum in October 2013. At 30 June 2014, salary was $162,000 per annum, exclusive of superannuation (effective from January 2014).
- Salary is reviewed annually by the remuneration committee.
- A cash bonus of up to 50% of base salary upon achieving certain profitability targets at the discretion of the Chairman. No bonus was paid in the year ended 30 June 2014, due to business results in FY2014.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to the base salary for the remaining term of the notice period.

D. Share-based compensation

The terms and conditions relating to options granted as remuneration during the year to key management personnel are as follows:

Issue of shares under Employee Share Plan

2014									
Name	**Position**	Grant Date	Vesting Date	Expiry Date	No of shares issued	Fair value per option at grant date	Exercise price per option	Grant Value	% Vested
Paul Roberts	CFO / Company Secretary	11/11/13 & 17/04/14	11/11/15 & 17/4/16	11/11/15 & 17/4/16	1,700,000	$0.012 - $0.013	$0.012 - $0.013	7,489	0%
Total					**1,700,000**			**7,489**	

The above shares to Mr Paul Roberts were issued in accordance with the terms and conditions of the Company's Employee Share Plan, on 30 November 2011 and the offer documents issued to each participating employee.

The number of shares in the company held during the financial year by each director and key management personnel of the company is set out below:

2014					
Name	Balance 01-Jul-13	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30-June-14
David Schwartz	27,184,449	-	-	-	27,184,449
John Mancini	14,602,968	-	-	-	14,602,968
Michael Arnold**	7,798,509	-	-	(7,798,509)	-
Charles Morgan	32,025,160	-	-	-	32,025,160
Paul Roberts	1,736,250	1,700,000	-	(450,000)	2,986,250
Total	**83,347,336**	**1,700,000**	-	**(8,248,509)**	**76,798,827**

** Michael Arnold resigned as Director on 25 October 2013

D. Share-based compensation (continued)

All equity transactions with directors and key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

The number of options over ordinary shares in the company held during the financial year by each director and key management personnel of the company is set out below:

2014					
Name	Balance 01-Jul-13	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30-June-14
David Schwartz	-	-	-	-	-
John Mancini	-	-	-	-	-
Michael Arnold	-	-	-	-	-
Charles Morgan	2,500,000	-	-	(2,500,000)	-
Paul Roberts	-	-	-	-	-
Total	**2,500,000**	**-**	**-**	**(2,500,000)**	**-**

Other transactions with key management personnel and their related parties.

During the financial year, legal services from Minc Group Pty Ltd (an entity indirectly related to John Mancini), amounting to $11,300, were provided. The current balance outstanding as at 30 June 2014 was $11,300.

E. Link between remuneration policy and Company performance

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2014.

	2014 $	2013 $	2012 $	2011 $	2010 $
Revenue ($000's)	37,015	79,374	83,682	52,216	35,887
(Loss)/profit after taxation ($000's)	(18,009)	(1,031)	1,752	725	(1,075)
Dividend	-	-	-	-	-
Basic (loss)/earnings per share (cents per share)	(6.10)	(0.42)	0.79	0.47	(1.09)
Diluted (loss)/earnings per share (cents per share)	(6.10)	(0.42)	0.79	0.47	(1.09)
Share price at 30 June ($)	0.012	0.019	0.060	0.070	0.055

Year ended 30 June 2013 – performance and remuneration

Due to the consolidated entity's reduced performance in the year ended 30 June 2013, base salary reductions took effect from July 2013 for the senior executives of the consolidated entity. Furthermore, no short-term performance based incentives were paid relating to the results for the year ended 30 June 2013..

Year ended 30 June 2014 – performance and remuneration

During the year, further base salary reductions took effect in October 2013 for the senior executives of the consolidated entity. Furthermore, no short-term performance based incentives were paid relating to the results for the year ended 30 June 2014.

This concludes the remuneration report, which has been audited.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

OPTIONS

At the date of this report, there were no unissued ordinary shares of ADG Global Supply Limited under option.

PROCEEDINGS ON BEHALF OF THE 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.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements. The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the Corporation Act 2001 is set out with this financial report.

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

D J Schwartz - Chairman
Perth, 30 September 2014

RSM Bird Cameron Partners
8 St George's Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of ADG Global Supply Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Perth, WA
Dated: 30 September 2014

J A KOMNINOS
Partner

Corporate Governance Statement

ADG Global Supply Limited ("the Company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Consolidated Entity in this statement.

A description of the Company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX Principles of Good Corporate Governance and Best Practice Recommendations unless otherwise stated below.

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Consolidated Entity's long-term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Consolidated Entity as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Consolidated Entity is properly managed.

Responsibilities

The responsibilities of the Board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
    - » organisational performance and the achievement of the Consolidated Entity's strategic goals and objectives;
    - » compliance with the Company's Code of Conduct; and
    - » progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports;
- liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment or removal and contributing to the performance assessment for the members of the senior management team including the Chief Financial Officer ("CFO") and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization; and
- overseeing the operation of the Consolidated Entity's system for compliance and risk management reporting to shareholders.

Day to day management of the Consolidated Entity's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives as set out in the Consolidated Entity's delegations policy. These delegations are reviewed on an annual basis.

A performance assessment for senior executives last took place in June 2014.

Principle 2: Structure the board to add value

The Board operates in accordance with the broad principles set out in its Charter which is available from the corporate governance information section of the Company website at www.adgglobalsupply.com. The Charter details the Board's composition and responsibilities and details of matters reserved for senior executives.

Board composition

The Charter states:

- the Board is to be comprised of both executive and non-executive Directors with a majority of non-executive Directors. Non-executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management;
- in recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman must be an independent non-executive Director and all Directors are required to bring independent judgement to bear in their Board decision making;
- the Chairman is elected by the full Board and is required to meet regularly with the Managing Director;
- the Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience; and
- the Board is required to undertake an annual Board performance review and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Consolidated Entity.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading "Information on Directors".

There are two non-executive Directors who are also deemed to be independent under the principles set out below, and one executive Director at the date of signing the Directors' report.

Corporate Governance Statement

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Consolidated Entity and Directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence

The Board has adopted specific principles in relation to Directors' independence. These state that when determining independence, a Director must be a non-executive and the Board should consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is or has been employed in an executive capacity by the Company or any other Consolidated Entity member within three years before commencing to serve on the Board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the Company or any other Consolidated Entity member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or any other Consolidated Entity member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or a controlled entity other than as a Director of the Consolidated Entity; and
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of their judgment.

Materiality for these purposes is determined on both quantitative and qualitative bases. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Director's performance.

Recent thinking on corporate governance has introduced the view that a Director's independence may also be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a Director will not be deemed independent if he or she has served on the Board of the Company for more than ten years. The Board will continue to monitor developments on this issue.

Term of office

The Company's Constitution specifies that all non-executive Directors must retire from office no later than the third annual general meeting ("AGM") following their last election. Where eligible, a Director may stand for re-election.

Chairman and Managing Director

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's senior executives.

The Managing Director is responsible for implementing Consolidated Entity strategies and policies. The Board Charter specifies that these are separate roles to be undertaken by separate people.

Induction

The induction provided to new Directors and senior managers enables them to actively participate in board decision-making as soon as possible. It ensures that they have a full understanding of the company's financial position, strategies, operations and risk management policies. It also explains the respective rights, duties, responsibilities and roles of the board and senior executives.

Commitment

The Board held twelve Board meetings and a number of corporate strategy workshops during the year.

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each Director is disclosed on page 14.

It is the Company's practice to allow its executive Directors to accept appointments outside the Company with prior written approval of the Board. The commitments of non-executive Directors are considered by the nomination committee prior to the Directors' appointment to the Board of the Company.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Conflict of interests

Entities connected with Mr. D J Schwartz had business dealings with the Consolidated Entity during the year, as described in note 18 to the financial statements. In accordance with the Board Charter, the Directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions. In addition, those Directors did not receive any papers from the Group pertaining to those dealings.

Independent professional advice

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Corporate Governance Statement

Performance assessment

The Board undertakes an annual self-assessment of its collective performance, the performance of the Chairman and of its committees. Management is invited to contribute to this appraisal process. An assessment carried out in accordance with this process was undertaken during June 2014. The Chairman undertakes an annual assessment of the performance of individual Directors and meets privately with each Director to discuss this assessment.

Board committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the nomination, remuneration and audit committees. The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Nomination committee

Details of these Directors' attendance at nomination committee meetings are set out in the Directors' report on page 14.

The nomination committee operates in accordance with its charter which is available on the Company website. The main responsibilities of the committee are to:

- conduct an annual review of the membership of the Board having regard to present and future needs of the Company and to make recommendations on Board composition and appointments;
- conduct an annual review of and conclude on the independence of each Director
- propose candidates for Board vacancies;
- oversee the annual performance assessment program;
- oversee Board succession including the succession of the Chairman; and
- assess the effectiveness of the induction process.

When a new Director is to be appointed the committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants.

The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company. The committee's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Company and the current and future needs of the Board and Company.

Details of the nomination, selection and appointment processes are available on the Company website. Notices of meetings for the election of Directors comply with the ASX Corporate Governance Council's best practice recommendations.

All new Directors participate in a comprehensive, formal induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Company has developed a statement of values and a Code of Conduct ("the Code") which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Consolidated Entity's integrity.

In summary, the Code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The purchase and sale of Company securities by Directors and employees is only permitted during the thirty day period following the release of the half-yearly and annual financial results to the market. Any transactions undertaken must be notified to the Company Secretary in advance.

The Code including the Company's share trading policy is discussed with each new employee as part of their induction.

The Code requires employees who are aware of unethical practices within the Group or breaches of the Company's trading policy to report these using the Company's whistleblower program. This can be done anonymously.

The Directors are satisfied that the Consolidated Entity has complied with its policies on ethical standards, including trading in securities.

A copy of the Code including and the share trading policy are available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Audit committee

Details of these Directors' qualifications and attendance at audit committee meetings are set out in the Directors' report on page 14.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Consolidated Entity operates.

Corporate Governance Statement

The audit committee operates in accordance with a charter which is available on the Company website.

The main responsibilities of the Committee are to:

- review, assess and approve the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations;
- determine the scope of the internal audit function (where one is implemented) and ensure that its resources are adequate and used effectively, and assess its performance, including independence;
- ratify the appointment and/or removal and contribute to the performance assessment of the chief internal auditor;
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management, the internal and external auditors;
- meets with the internal and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and CFO have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors and (where applicable) the chief internal auditor at least twice a year without the presence of management; and;
- provides the internal and external auditors with a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External auditors

Th Company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. RSM Bird Cameron was the Company's auditors for the year ended 30 June 2014.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' report and in note 20 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditors will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Consolidated Entity has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Consolidated Entity that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Consolidated Entity's operations, the material used in the presentation is released to the ASX and posted on the Company's website.

All shareholders receive a copy of the Company's annual (full) and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all Company announcements, media briefings, details of Company meetings, press releases and financial reports since 2008 being available on the Company's website.

Corporate Governance Statement

Principle 7: Recognise and manage risk

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems.

These policies are available on the Company website. In summary, the Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Consolidated Entity's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organization structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (see below) is required at all times and the Board actively promotes a culture of quality and integrity.

The Company risk management policy and the operation of the risk management and compliance systems are managed by the CFO. The Board receives annual updates from the CFO as to the effectiveness of the Company's management of material risks that may impede meeting business objectives. Detailed control procedures cover a number of critical areas of the Consolidated Entity's business.

The CFO facilitates a review of performance against each material risk annually. The basis for this report is an annual review of the past performance of each major business segment, and the current and future risks they face. The CFO reports to regular corporate strategy workshops attended by the Board and senior management. This reviews the Consolidated Entity's strategic direction in detail and includes specific focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives.

The CFO is required to ensure that appropriate controls are in place to effectively manage those risks. This is monitored by the Board on an annual basis. The Board has a received a number of reports on this area during the year.

In addition, the Board requires that each major proposal submitted to the Board for decision is accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

The environment, health and safety management

The Consolidated Entity recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective management has established controls under the supervision of the CFO to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner.

These controls allow the Company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues; and
- use energy and other resources efficiently.

Corporate reporting

The Managing Director and CFO have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Consolidated Entity and are in accordance with relevant accounting standards; and
- that 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 that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Remuneration committee

Details of these Directors' attendance at remuneration committee meetings are set out in the Directors' report on page 14.

The remuneration committee operates in accordance with its charter which is available on the Company website. The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors.

Committee members can receive briefings, when requested, from an external remuneration expert on recent developments on remuneration and related matters. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' report under the heading "Remuneration Report". The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programs and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Consolidated Statement Of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

	Notes	Consolidated 30 JUNE 2014 $'000	Consolidated 30 JUNE 2013 $'000
Revenue	5	**37,015**	**79,374**
Other income	5	7	10
Expenses from continuing operations			
Raw materials and consumables used	5	(36,307)	(68,628)
Employee benefits expense	5	(4,844)	(7,953)
Impairment of intangible assets	12(c)	(7,818)	-
Depreciation and amortisation expense		(409)	(551)
Other expenses	5	(4,432)	(3,298)
Finance costs	5	(562)	(475)
Loss from operations before income tax		(17,350)	(1,521)
Income tax expense	6	(659)	490
Net loss attributable to the members of ADG Global Supply Limited		**(18,009)**	**(1,031)**
Other comprehensive income			
Cash flow hedges:			
- Gain taken to equity		-	41
- Foreign currency translation reserve		131	195
Other comprehensive income for the period (net of tax)		131	236
Total Comprehensive Income attributable to the members of ADG Global Supply Limited		**(17,878)**	**(795)**
Loss per share (cents per share)	25		
- basic loss per share		(6.10)	(0.42)
- diluted loss per share		(6.10)	(0.42)

The accompanying notes form part of these financial statements.

Consolidated Statement Of Financial Position

as at 30 June 2014

	Notes	Consolidated 30 JUNE 2014 $'000	Consolidated 30 JUNE 2013 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	226	2,895
Trade and other receivables	8	9,502	14,298
Inventory	9	4,969	9,100
Income tax receivable		-	123
Other assets	10	1,198	1,087
Total Current Assets		15,895	27,503
Non-Current Assets			
Deferred tax asset	6	-	623
Property, plant and equipment	11	870	1,115
Intangible assets	12	102	8,099
Total Non-Current assets		972	9,837
TOTAL ASSETS		**16,867**	**37,340**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	6,279	8,134
Income tax payable		70	-
Interest-bearing loans and borrowings	14	7,310	5,049
Provisions	15	271	443
Total Current Liabilities		13,930	13,626
Non-Current Liabilities			
Interest bearing loans and borrowings	14	-	3,179
Provisions	15	107	88
Total Non-Current Liabilities		107	3,267
TOTAL LIABILITIES		**14,037**	**16,893**
NET ASSETS		**2,830**	**20,447**
EQUITY			
Contributed equity	16 (a)	18,684	18,399
Options valuation reserve		378	402
Foreign exchange translation reserve		331	200
Retained earnings		(16,563)	1,446
TOTAL EQUITY		**2,830**	**20,447**

The accompanying notes form part of these financial statements.

Consolidated Statement Of Cashflows

for the year ended 30 June 2014

	Notes	Consolidated 30 JUNE 2014 $'000	Consolidated 30 JUNE 2013 $'000
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		40,078	88,245
Payments to suppliers and employees		(41,678)	(88,798)
Interest received		7	10
Interest paid		(562)	(475)
Net income tax refund/(paid)		157	(553)
Net cash flows used in operating activities	24	(1,998)	(1,571)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of business	23	-	(1,190)
Proceeds from sale of property, plant and equipment		-	55
Purchase of property, plant and equipment		(36)	(1,052)
Purchase of intangible assets		(3)	(231)
Net cash flows used in investing activities		(39)	(2,418)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		285	3,090
Transactions costs relating to issue of shares (net)		-	(159)
Net proceeds from borrowings		(917)	2,519
Net cash flows (used in) / from financing activities		(632)	5,450
Net (decrease) / increase in cash and cash equivalents		(2,669)	1,461
Cash and cash equivalents at beginning of year		2,895	1,434
Cash and cash equivalents at end of the year	7	226	2,895
RECONCILIATION OF CASH			
Cash at bank and in hand	7	226	2,895
		226	2,895

The accompanying notes form part of these financial statements.

Consolidated Statement Of Changes In Equity

for the year ended 30 June 2014

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

The accompanying notes form part of these financial statements.

Notes to Financial Report for the year ended 30 June 2014

The financial statements of ADG Global Supply Limited ("the company") for the year ended 30 June 2014 comprise of the company and its subsidiaries (collectively referred to as "the consolidated entity"). The separate financial statements of the parent entity, ADG Global Supply Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

ADG Global Supply Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial statements were authorised for issue in accordance with a resolution of the directors dated 30 September 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards, Interpretations of the Australian Accounting Standards Board, and International Financial Reporting Standards as issued by the International Accounting Standards Board. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities

Going Concern

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

As disclosed in the financial statements, the company and consolidated entity incurred losses of $11.306 million and $18.009 million respectively and the consolidated entity had net cash outflows from operating activities of $1.998 million (2013: outflow of $1.571 million) for the year ended 30 June 2014. These factors indicate significant uncertainty as to whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

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

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

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

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

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by ADG Global Supply Limited at the end of the reporting period. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns, through its power over the entity. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the consolidated entity. The consolidation of a subsidiary is discontinued from the date that control ceases.

Intercompany balances and transactions between entities in the consolidated entity are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income. The non-controlling interests in the net assets of the subsidiary comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(c) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities assumed is recognised. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value remeasurements in any pre-existing equity holdings are recognised in the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to the statement of profit and loss and other comprehensive income.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

(d) Foreign currency translation

Functional and presentation currency

The functional currency of each of the entities within the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars, which is the parent entity's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

Transactions and balances (continued)
Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the statement of profit or loss and other comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

All companies of the consolidated entity have Australian Dollars as a functional currency except for Winchester Procurement Limited where the functional currency is British Pounds.

(e) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when the Consolidated Entity has passed control of the goods to the buyer.

Sale of services
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest
Interest is recognised when earned.

(f) 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. Current tax liabilities/(assets) are 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.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting 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, 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 recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (continued)

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

Tax Consolidation

ADG and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of the entities are set off in the consolidated financial statements.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are 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. Leased assets are depreciated on a straight-line basis over their estimated useful lives. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(h) Impairment of assets

At each reporting date, the consolidated entity 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 immediately to the statement of profit or loss and other comprehensive income.

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

(i) 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 6 months or less.

(j) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Costs are assigned to individual items of inventory on a basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Financial instruments

Initial recognition and measurement

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted, including recent arm's length transactions, reference to similar instruments and option pricing models.

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

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of profit or loss or other comprehensive income.

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

i. Loans and receivables

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

ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

Impairment

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial assets has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The consolidated entity documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment

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

The carrying amount of property, 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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets and capitalised lease assets but excluding freehold land is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

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

- Plant and equipment - over 3 to 20 years;
- Furniture and fittings – over 3 to 13 years;
- Motor Vehicles – over 8 years;
- Leasehold improvements – over term of the lease; and
- Computer hardware/software – over 3 to 5 years.

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income in the period in which they arise.

(o) Intangible assets

Goodwill

Goodwill acquired in a business combination is initially measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the acquisition date fair value of any previously held equity interest over the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. It is allocated to the consolidated entity's cash-generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored not being larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles other than Goodwill

Intangible assets acquired separately are capitalised at cost. Following initial recognition, the cost model is applied to each class of intangible assets. Where amortisation is charged on assets with finite lives, this expense is taken to the statement of profit or loss and other comprehensive income, through the "amortisation expenses" line item.

Intangible assets are tested for impairment where an indicator of impairment exists and in the case of intangible assets with indefinite useful lives, either individually or at the cash generating unit level.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services rendered by the consolidated entity during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

(q) Provisions

Provisions are recognised when the consolidated entity 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. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(r) Employee benefits

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

The consolidated entity's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The consolidated entity's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in statement of profit or loss and other comprehensive income in the periods in which the changes occur.

The consolidated entity's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the consolidated entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(s) Share-based payment transactions

The consolidated entity provides benefits to employees (including executive directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of ADG Global Supply Limited ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity where applicable, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that are expected to ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met, as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 the statement of profit or loss and other comprehensive income in the period in which they are incurred.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(v) Rounding of amounts

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

(w) Comparative Figures

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

(x) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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 consolidated entity.

Impairment of goodwill and intangibles

The company determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles are discussed in note 12. During the year, the goodwill carrying amount of $7.818 million was fully impaired as the recoverable amount of the cash-generating unit to which it belong is below its carrying amount by approximately the goodwill carrying amount.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instrument at the date at which they are granted. The fair value of performance rights are determined using a Binomial option pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(y) New, revised or amending Accounting Standards and Interpretation adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New, revised or amending Accounting Standards and Interpretation adopted (continued)

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

The adoption of this standard will not have a material impact on the consolidated entity.

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

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the consolidated entity's financial statements.

Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the consolidated entity's financial statements.

AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

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

AASB 2013-5: Amendments to Australian Accounting Standards - Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the consolidated entity's financial statements.

2. PARENT ENTITY DISCLOSURES

(a) Financial position

	YEAR ENDED 30 JUNE	
	2014 $'000	2013 $'000
ASSETS		
Current assets	11,965	13,464
Non-current assets	-	9,917
Total assets	11,965	23,381
LIABILITIES		
Current liabilities	9,135	6,459
Non-current liabilities	-	3,047
Total liabilities	9,135	9,506
Net Assets	**2,830**	**13,875**
EQUITY		
Issued capital	18,684	18,399
Accumulated losses	(16,232)	(4,926)
Reserves	378	402
Net Equity	**2,830**	**13,875**

(b) Financial performance

	YEAR ENDED 30 JUNE	
	2014 $'000	2013 $'000
Loss for the year	(11,306)	(241)
Other comprehensive income	-	-
Total comprehensive income	**(11,306)**	**(241)**

(c) Cross Guarantees

Cross guarantees have been provided by ADG Global Supply Limited and its controlled entities as disclosed in note 18.

(d) Other Commitments and Contingencies

ADG Global Supply Limited has no commitment to acquire property, plant and equipment, and has no contingent liabilities apart from those disclosed in note 17.

3. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The consolidated entity makes use of derivative financial instruments such as foreign exchange contracts to manage foreign currency risk. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management is carried out by the CFO under the supervision of the Board of Directors. The Board provides principles for overall risk management, as well as policies and supervision covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The consolidated entity holds the following financial instruments:

	Notes	CONSOLIDATED 30 JUNE 2014 $'000	 30 JUNE 2013 $'000
FINANCIAL ASSETS			
Cash and cash equivalents	7	226	2,895
Trade and other receivables	8	9,502	14,298
		9,728	17,193
FINANCIAL LIABILITIES			
Trade and other payables	13	6,279	8,134
Interest-bearing loans and borrowings	14	7,310	8,228
		13,589	16,362

(a) Market risk

(i) Foreign exchange risk

The consolidated entity makes sales and purchases some of which are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and British Pound, in the ordinary course of business.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the consolidated entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has set up a standard pricing policy for dealing with foreign currency risk in the purchasing and quoting/sales functions of the consolidated entity in order to manage foreign exchange risk against the consolidated entity's functional currency. Material sales or purchase contracts which are denominated in a foreign currency are regularly reviewed by management and when it is considered necessary the currency risk exposure is managed either via use of existing foreign currency cash deposits or via the use of foreign currency contracts.

The consolidated entity's exposure to foreign currency risk with respect to US Dollar and the British Pound at the reporting date was as follows:

US Dollar	CONSOLIDATED 2014 in AUD '000	 2013 in AUD '000
FINANCIAL ASSETS		
Cash and cash equivalents	18	422
Trade and other receivables	3,050	6,067
	3,068	6,489
FINANCIAL LIABILITIES		
Trade and other payables	502	5,508
	502	5,508
Net exposure	**2,566**	**981**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

British Pound	CONSOLIDATED 2014 in AUD '000	2013 in AUD '000
FINANCIAL ASSETS		
Cash and cash equivalents	-	1,210
Trade and other receivables	6,252	3,394
	6,252	4,604
FINANCIAL LIABILITIES		
Trade and other payables	3,844	2,815
	3,844	2,815
Net exposure	**2,408**	**1,789**

(ii) Foreign exchange sensitivity

The US Dollar/Australian Dollar exchange rate used to translate balances denominated in US Dollar as at 30 June 2014 was 0.943 (2013: 0.927) and the British Pound/Australian Dollar exchange rate used to translate balances denominated in British pound as at 30 June 2014 was 0.551 (2013: 0.607).

Based on the financial instruments held at 30 June 2014, had the Australian dollar weakened/strengthened by 1% against the US Dollar with all other variables held constant, the consolidated entity's post-tax results for the year and equity would have been $25,600 higher/lower (2013: $9,800 higher/lower). Had the Australian dollar weakened/strengthened by 1% against the British Pound, with all other variables held constant, the consolidated entity's post-tax results for the year and equity would have been $24,000 higher/lower (2013: $17,800 higher/lower)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk
The consolidated entity's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. The consolidated entity policy is to manage both risks as appropriate in conjunction with considerations about minimising the consolidated entity's liquidity risk, the current state of the yield curve and expectations about interest rates in the medium term and the need for flexibility so as to minimise the consolidated entity's interest expense.

As at the reporting date, the consolidated entity had the following variable/fixed rate borrowings::

	Weighted Average Interest Rate %	30 June 2014 $'000	Weighted Average Interest Rate %	30 June 2013 $'000
FINANCIAL ASSETS				
Cash and cash equivalents	Variable	226	Variable	2,895
FINANCIAL LIABILITIES				
Interchange facility 1 (a)	2.70%	2,800	2.87%	3,200
Interchange facility 2 (b)	4.34%	2,000	2.86%	2,000
Interchange facility 3 (c)	9.34%	1,768	2.35%	2,499
Asset purchase facility (d)	7.06%	382	7.06%	529
Trade facility (e)	14.00%	213		-
Overdraft facility (f)	4.45%	147		-
		7,310		8,228

(a) Variable debt pays interest at a rate of 2.70% (2013: 2.87%). This debt is being repaid at a rate of $100,000 per quarter.
(b) Variable debt pays interest at a rate of 4.34% (2013: 2.86%).
(c) Variable debt pays interest at a rate of 9.34% (2013: 2.35%).
(d) Asset purchase facility pays interest at a rate of 7.06% (2013: 7.06%).
(e) Trade facility debt pays interest at a rate of 14.00% (2013: Nil).
(f) Overdraft facility pays interest at a rate of 4.45% (2013: Nil).

(iv) Interest rate sensitivity
The consolidated entity's cash and cash equivalents and borrowings are subject to interest rate sensitivities. Had interest rates increased/decreased by 1%, with all other variables held constant, the consolidated entity's post-tax results for the year and equity would have been lower/higher by $70,840 (2013: $53,330).

(b) Credit risk
Credit risk is managed on a group basis and reviewed regularly by finance executives and the board. It arises from exposures to customers as well as through deposits with financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in each applicable note. For wholesale customers without credit rating the consolidated entity generally retains title over the goods sold until full payment is received. For some trade receivables the consolidated entity may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The consolidated entity has material credit risk exposure to a group of receivables under financial instruments entered into by the consolidated entity amounting to $5,763,437 (2013: $6,558,928).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	CONSOLIDATED	
	2014 $'000	2013 $'000
CASH AND CASH EQUIVALENTS		
AA	226	2,895
	226	2,895
TRADE AND OTHER RECEIVABLES		
Non-rated	9,502	14,298
	9,502	14,298

(c) Liquidity risk

Maturities of financial assets and financial liabilities

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 statement of financial position.

YEAR ENDED 30 JUNE 2014	≤ 12 months $'000	1-5 years $'000	>5 years $'000	Total $'000
CONSOLIDATED FINANCIAL ASSETS				
Cash and cash equivalents	226	-	-	226
Trade and other receivables	9,502	-	-	9,502
	9,728	-	-	9,728
CONSOLIDATED FINANCIAL LIABILITIES				
Trade and other payables	6,279	-	-	6,279
Interest bearing loans & borrowings	7,310	-	-	7,310
	13,589	-	-	13,589
Net maturity	**(3,861)**	-	-	**(3,861)**

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Maturities of financial assets and financial liabilities (continued)

YEAR ENDED 30 JUNE 2013	≤ 12 months $'000	1-5 years $'000	>5 years $'000	Total $'000
CONSOLIDATED FINANCIAL ASSETS				
Cash and cash equivalents	2,895	-	-	2,895
Trade and other receivables	14,298	-	-	14,298
	17,193	-	-	17,193
CONSOLIDATED FINANCIAL LIABILITIES				
Trade and other payables	8,134	-	-	8,134
Interest bearing loans & borrowings	5,049	3,179	-	8,228
	13,183	3,179	-	16,362
Net maturity	**4,010**	**(3,179)**	-	**831**

(d) Fair value

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

(e) Capital risk management

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of net debt (borrowings as detailed in note 3 offset by cash and bank balances) and equity of the consolidated entity (comprising issued capital, reserves and retained earnings).

The consolidated entity is not subject to any externally imposed capital requirements.

4. SEGMENT INFORMATION

(a) Products and services from which reportable segments derive their revenues

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

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

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

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

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

The consolidated entity derives 24%, 17% and 16% (2013: 28%,9% and 9%) of its revenues from the top three external customers. 45% of the consolidated entity's assets are located in Australia and 55% are located overseas.

Basis of accounting for purposes of reporting by operating segments

(a) *Accounting policies adopted*

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

(b) *Segment assets*

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

(c) *Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables and direct borrowings.

(d) *Unallocated items*

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

- Impairment of intangible assets;
- Finance costs;
- Income tax expense;
- Tax balances;
- Borrowings; and
- Cash and cash equivalents.

4. SEGMENT INFORMATION (CONTINUED)

(b) Operating segments

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

4. SEGMENT INFORMATION (CONTINUED)

(b) Operating segments (continued)

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

5. REVENUE AND EXPENSES

(a) Revenue, Income and Expenses

	CONSOLIDATED 2014 $'000	2013 $'000
REVENUE		
Sales revenue	37,015	79,374
Total revenue	37,015	79,374
OTHER INCOME		
Loss on disposal of assets	-	(1)
Bank Interest	7	11
Total other income	7	10
FINANCE COSTS		
Bank loans and overdrafts	562	475
Total finance costs	562	475
OTHER EXPENSES		
Travel and accommodation	352	456
Cost of inventories recognised as an expense	36,307	68,628

(b) Employee benefits expense

Wages and salaries	4,629	7,473
Share-based payment expense	16	91
Superannuation costs	199	389
	4,844	7,953

6. INCOME TAX

	CONSOLIDATED 2014 $'000	2013 $'000
The major components of income tax expense are:		
Current income tax	(2,768)	(422)
Deferred income tax	3,427	(222)
Tax losses utilised	-	227
Under provision for tax in prior year	-	(73)
Income tax expense / (benefit) reported in profit or loss	659	(490)

6. INCOME TAX (CONTINUED)

A reconciliation of income tax expense/(benefit) applicable to accounting results before income tax at the statutory income tax rate to income tax expense/(benefit) at the consolidated entity's effective income tax rate for the years ended 30 June 2014 and 30 June 2013 is as follows:

	CONSOLIDATED	
	2014 $'000	2013 $'000
Loss before income tax	(17,350)	(1,521)
At the statutory income tax rate of 30% (2013: 30%)	(5,205)	(456)
Expenditure not allowable for income tax purposes	2,437	39
Deferred tax asset not recognised	3,427	-
Adjustments in respect of current income tax of previous years	-	(73)
At effective income tax rate of 3.79% (2013: -32.2%)	659	(490)

A deferred tax asset amounting to $3.143 million, attributable to income tax losses has not been recognised at reporting date as the probability criteria disclosed in Note 1(f) is not satisfied and such benefit will only be available if the conditions of deductibility, also disclosed in Note 1(f), are satisfied.

	BALANCE SHEET		INCOME STATEMENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred income tax Deferred income tax at 30 June relates to the following:				
Deferred income tax liabilities				
Unrealised foreign exchange gains	-	(131)	131	(90)
Other	-	(116)	116	3
Set off of deferred tax liabilities	-	247	(247)	87
Gross deferred income tax liabilities	-	-	-	-
Deferred income tax assets				
Depreciable assets	-	59	(59)	(45)
Provisions and accruals	-	307	(307)	8
Unrealised foreign exchange losses	-	30	(30)	30
Other	-	252	(252)	112
Net loss on revaluation of cash flow hedges taken to equity	-	18	(18)	-
Losses available for offset against future taxable income	-	204	(204)	204
Set off of deferred tax liabilities	-	(247)	247	(87)
Gross deferred income tax assets	-	623		
Deferred tax benefit not recognised			(2,804)	-
Deferred income tax benefit / (expense)			(3,427)	222

7. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Cash at bank and in hand	226	2,895
	226	2,895

The consolidated entity's exposure to interest rate risk is discussed in note 3.

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Trade receivables	9,210	14,285
Other receivables	292	13
	9,502	14,298

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 - 60 days terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment provision of nil (2013: Nil) has been recognised by the consolidated entity.

At 30 June, the ageing analysis of trade receivables is as follows:

		Total $000	0-30 Days $000	31-60 Days $000	61-90 Days PDNI* $000	61-90 Days CI* $000	+91 Days PDNI* $000	+91 Days CI* $000
2014	Consolidated	9,210	4,328	1,847	767	-	2,268	-
2013	Consolidated	14,285	9,583	1,515	1,632	-	1,555	-

* *Past due not impaired ('PDNI')*
Considered impaired ('CI')

Receivables past due but not considered impaired are: $3,035,000 (2013: $3,187,000). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

9. INVENTORIES

	CONSOLIDATED	
	2014 $'000	2013 $'000
Stock on hand at cost	8,788	8,549
Provision for impairment (a)	(3,901)	(286)
Stock in transit at cost	82	837
	4,969	9,100

(a) Provision for impairment

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amount to $3,900,799 (2013: $286,000).

10. OTHER ASSETS

	CONSOLIDATED	
	2014 $'000	2013 $'000
Prepayments	1,198	1,087
	1,198	1,087

11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			
	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	**Total $'000**
YEAR ENDED 30 JUNE 2014				
Balance at 1 July 2013	733	356	26	1,115
Additions	2	25	-	27
Disposals	-	-	-	-
Depreciation charge for the year	(151)	(115)	(6)	(272)
Balance at 30 June 2014	584	266	20	870
AT 30 JUNE 2014				
Cost	1,150	809	93	2,052
Accumulated depreciation and impairment	(566)	(543)	(73)	(1,182)
Net carrying amount	584	266	20	870

All of the assets of the consolidated entity are subject to a first charge to secure the consolidated entity's borrowings (note 14).

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED			
	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
YEAR ENDED 30 JUNE 2013				
Balance at 1 July 2012	30	259	37	326
Additions	824	223	-	1,047
Disposals	(27)	(18)	(4)	(49)
Depreciation charge for the year	(94)	(108)	(7)	(209)
Balance at 30 June 2013	733	356	26	1,115
AT 30 JUNE 2013				
Cost	1,148	801	93	2,042
Accumulated depreciation and impairment	(415)	(445)	(67)	(927)
Net carrying amount	733	356	26	1,115

12. INTANGIBLE ASSETS

	CONSOLIDATED	
	2014 $'000	2013 $'000
Goodwill (a)	-	7,872
Software	102	227
	102	8,099

12. INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets is presented below:

	CONSOLIDATED			
	Goodwill (a) $'000	Software $'000	Product Rights $'000	Total $'000
YEAR ENDED 30 JUNE 2013				
At 1 July 2012, net of accumulated amortisation	7,872	101	236	8,209
Additions	-	232	-	232
Amortisation	-	(106)	(236)	(342)
At 30 June 2013, net of accumulated amortisation	7,872	227	-	8,099
YEAR ENDED 30 JUNE 2014				
At 1 July 2013, net of accumulated amortisation	7,872	227	-	8,099
Additions	-	12	-	12
Impairment (c)	(7,818)	-	-	(7,818)
Reversal	(54)	-		(54)
Amortisation (b)	-	(137)	-	(137)
At 30 June 2014, net of accumulated amortisation	-	102	-	102
AT 1 JULY 2013				
Cost (gross carrying amount)	14,136	486	-	14,622
Accumulated amortisation and impairment	(6,264)	(259)	-	(6,523)
Net carrying amount	7,872	227	-	8,099
AT 30 JUNE 2014				
Cost (gross carrying amount)	14,136	498	-	14,634
Accumulated amortisation and impairment	(14,136)	(396)	-	(14,532)
Net carrying amount	-	102	-	102

(a) Goodwill

Goodwill consisted of the following components:

	2014 $'000	2013 $'000
Goodwill arising on consolidation of:		
ADG Global Supply Pty Ltd	-	7,818
Winchester Procurement	-	54
	-	7,872

12. INTANGIBLE ASSETS (CONTINUED)

(b) Amortisation expense

Amortisation of $137,000 (2013: $342,000) is included in depreciation and amortisation expense in the income statement.

(c) Key assumptions used for value-in-use calculations in respect of the relevant CGU are as follows:

Gross margin
2015 - 2019: 15%-16%

Discount rate
Pre-tax discount rate: 11% per annum

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period with the period extending beyond one year extrapolated using an estimated growth rate. The cash flows are discounted using a discount rate which recognises the risk factor applicable to the industry in which the company and its subsidiaries operate.

Management has based the value-in-use calculations on budgets for each cash generating unit. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the cash generating units operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular industry.

Based on the above, an impairment charge of $7,818,000 has been applied as the carrying amount of goodwill exceeded the recoverable amount of the identified cash-generating unit. Further, $54,000 relating to Winchester Procurement Limited has been reversed as the underlying share based payment has been cancelled.

13. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 $'000	2013 $'000
Trade payables	4,462	6,079
Accruals and other payables	1,817	2,055
	6,279	8,134

14. INTEREST BEARING LOANS AND BORROWINGS

Interest bearing loans and borrowings are comprised of the following:

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

The principal terms of the loans are as follows:

(a) Interchange facility 1

- Provided by ANZ Bank, Australia.
- Repayments are payable monthly at a rate of $33,333 per month until maturity on 30 June 2015.
- Interest rate at 30 June 2014 is 2.70% per annum (2013: 2.87%).

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

(b) Interchange facility 2

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

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

(c) Interchange facility 3

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

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

(d) Asset purchase facility

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

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

14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

(e) Trade facility

- Provided by Speedmark Australia Pty Ltd, Australia.
- Interest rate at 30 June 2014 is 14% per annum (2013: N/A).
- Repayment is due within 14 days of receiving written demand from lender.

The security is over security deposits financed by this facility.

(f) Overdraft facility

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

The security is over assets of a controlled entity.

(g) Other facilities

The following are other facilities available to the consolidated entity:

- Business trading facility of $0.75 million from Octet Finance Pty Ltd. Interest rate is 6% per annum plus 30 day bank bill swap reference rate. The facility is secured by a guarantee from ADG Global Supply Limited on behalf of the controlled entity the facility was granted to.
- Revolving line of credit of $1.1 million from Speedmark Australia Pty Ltd. Transaction fee of 1.1% is charged on the advance and default interest rate of 0.1% per day on overdue balances.

Financing arrangements

The consolidated entity had access to the following undrawn borrowing facilities at the reporting date:

30 JUNE 2014	Facility limit $'000	Used $'000	Available $'000
Consolidated	8,885	7,310	1,575

30 JUNE 2013	Facility limit $'000	Used $'000	Available $'000
Consolidated	9,255	8,228	1,027

The consolidated entity had $1,575,000 of available facilities to manage its liquidity as at 30 June 2014 (2013: $1,027,000).

In addition, there are facilities totalling $1.85 million available as disclosed in note 14(g).

15. PROVISIONS

Provisions are comprised of the following:

	CONSOLIDATED	
	2014 $'000	2013 $'000
CURRENT		
Employee entitlements	164	223
Other	107	220
Total Current	271	443
NON-CURRENT		
Employee entitlements	107	88
Total Non-Current	107	88
Movement in employee entitlements		
Balance at beginning of year	311	341
Net amount used	(40)	(30)
Balance at end of year	271	311

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

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

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

16. CONTRIBUTED EQUITY

(a) Ordinary shares

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

	CONSOLIDATED	
	2014 Number	2013 Number
ORDINARY SHARES		
Issued and fully paid	316,456,218	287,956,218

16. CONTRIBUTED EQUITY (CONTINUED)

(a) Ordinary shares (continued)

	Date	Number	$'000
MOVEMENT IN ORDINARY SHARES ON THE ISSUE			
At 1 July 2012		224,049,400	15,468
Issue of shares under Employee Share Plan (Note 1)	13/07/2012	2,225,000	-
Issue of shares under Employee Share Plan (Note 1)	20/12/2012	5,500,000	-
Share placement (Note 2)		34,700,000	1,908
Share placement (Note 2)		21,481,818	1,182
Share issuance cost			(159)
At 30 June 2013		**287,956,218**	**18,399**

	Date	Number	$'000
MOVEMENT IN ORDINARY SHARES ON THE ISSUE			
At 1 July 2013		287,956,218	18,399
Share placement (Note 2)		28,500,000	285
As at 30 June 2014		**316,456,218**	**18,684**

Note 1: Issue of shares under Employee Share Plan
Following the approval of the Company's Employee Share Plan at the Company's Annual General Meeting on 30 November 2010 (resolution 7), and also the approvals of resolutions 8 and 9 of the same meeting, the Company has, during the year ended 30 June 2014, issued a total of nil (2013: 7,725,000) ordinary shares to participating employees.

The above shares were issued in accordance with the terms and conditions of the Company's Employee Share Plan, resolutions 7, 8 and 9 of the Company's Annual General Meeting on 30 November 2010 and the offer documents issued to each participating employee.

The shares issued are fully paid via an interest free limited recourse loan to employees, repayable by Senior Management Team in 5 years. The plan is accounted for as an in-substance option plan, with the contractual life of each option equivalent to the estimated loan life. Repayment of the loan constitutes exercise of the option, with the exercise price being the remaining loan balance per share.

The share issue above is subject to a 2 year minimum tenure performance condition and the repayment of the loans. Until both conditions are satisfied the shares will remain in a holding lock maintained by the Company's Registry which prevents the shares from being traded. The Company also maintains a lien over the shares issued until each condition has been met.

Note 2: Share Placement
On the 8th February 2013, the Company issued 34,700,000 ordinary shares under a share placement to participating investors at 5.5 cents per share.

On the 4th April 2013, the Company issued 21,481,818 ordinary shares under a share placement to participating investors at 5.5 cents per share.

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

16. CONTRIBUTED EQUITY (CONTINUED)

(b) $0.15 options with expiry date of 30 June 2014

Movement in options on issue	Date	Number
Opening number of options	01/07/2013	5,000,000
Lapsed during the year		(5,000,000)
Closing number of options	**30/06/2014**	-

The above unlisted options have been issued in part consideration for Bardi Holdings Pty Ltd and Seaspin Pty Ltd acting as underwriters of the Company's non-renounceable entitlements offer completed in December 2010.

16. CONTRIBUTED EQUITY (CONTINUED)

(c) Options valuation reserve

	Date granted	Exercise Price (cents)	Share price at grant date (cents)	Vesting date	Probability of vesting	Volatility	Interest rate	Fair value per option (cents)	Number	Expensed during period $000
Employee Share Plan shares - Directors	13/12/12	5.3	6	14/12/14	100%	60%	3.50%	1.8	3,000,000	27
Employee Share Plan shares - Directors	13/12/12	5.3	6	14/12/14	100%	60%	3.50%	1.8	2,500,000	(12)
Employee Share Plan shares - Employees	12/07/12	6	6	12/07/14	80%	60%	3.50%	2.4	1,075,000	(10)
Employee Share Plan shares - Employees	11/11/13	1.3	1.2	11/11/18	80%	60%	3.50%	0.6	2,875,000	4
Employee Share Plan shares - Employees	17/04/14	1.2	1.2	17/04/19	80%	60%	3.50%	0.5	6,575,000	7
Employee Share Plan shares - Employees	13/01/12	7	7	13/01/14	100%	70%	5.25%	2.8	2,000,000	(40)
Total options valuation reserve										**(24)**
Less: Value of options cancelled previously issued as capital raising costs										40
Total options valuation expense in profit or loss										**16**

The above options and Employee Share Plan shares have been valued using a Binomial valuation model using the principal assumptions disclosed in the above table.

Employee Share Plan shares have been treated as options for the purposes of applying the measurement requirements AASB 2 *Share Based Payment*

17. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Consolidated Entity as lessee

Future minimum lease payments under non-cancellable operating leases contracted for but not recognised in the financial statements as at 30 June are as follows:

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Within one year	550	586
After one year but not more than five years	2,272	2,668
More than five years	-	160
	2,822	3,414

There are no restrictions placed upon the lessee by entering into these leases.

(b) Contingent Liabilities

As at 30 June 2014, the consolidated entity has commitment to provide a bond of US$1.2million (2013: Nil) relating to a customer contract.

As at 30 June 2014, the consolidated entity has a contingent liability of $0.257 million (2013: Nil) payable to a finance company for payments made by the finance company on behalf of the consolidated entity's debtors in the event these debtors defaults on payments to the finance company.

As at 30 June 2014, the consolidated entity also has a contingent liability with respect to a performance guarantee of $0.212m (2013: Nil) for office premises security deposit.

18. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of ADG Global Supply Limited and the subsidiaries listed in the following table.

	Country of incorporation	EQUITY INTEREST 2014 %	EQUITY INTEREST 2013 %
ADG Global Supply Pty Ltd^	Australia	100	100
AWS (Security Holder) Pty Ltd	Australia	100	100
Rain One Pty Ltd	Australia	100	100
ADG Global Supply (Europe) Limited^	United Kingdom	100	100
ADG Global Supply South Africa (Pty) Ltd^	Republic of South Africa	100	100
Winchester Procurement Limited^	United Kingdom	100	100

ADG Global Supply Limited is the ultimate parent of the Consolidated Entity.

^ Entities subject to class order

Pursuant to Class Order 98/1418, relief has been granted to ADG Global Pty Ltd and its subsidiaries from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Class Order, ADG Global Supply Limited, ADG Global Supply Pty Ltd and its subsidiaries, entered into a Deed of Cross Guarantee on 4 July 2000, as amended by a Deed of Assumption dated 20 June 2008. The effect of the deed is that ADG Global Supply Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity.

18. RELATED PARTY DISCLOSURES (CONTINUED)

The below entities were dormant at 30 June 2014 and not part of the Deed of Cross Guarantee arrangements:

- AWS (Security Holder) Pty Ltd
- Rain One Pty Ltd

Winchester Procurement Limited is a foreign controlled entity and is not part of the Deed of Cross Guarantee.

The consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income of the entities within the scope of the above Deed of Cross Guarantee are the same as the consolidated statement of financial position and the consolidated statement of comprehensive income presented within these financial statements.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant financial year:

Related party CONSOLIDATED		Sales to related parties $'000	Purchases from related parties $'000	Amount owed by related parties $'000	Amounts owed to related parties $'000
Pascoes Pty Ltd (a)	2014	-	-	-	-
	2013	-	10	-	-
Mr Michael Arnold (b)	2014	-	-	-	-
	2013	-	-	58	-
Minc Group Pty Ltd (c)	2014	-	11	-	11
	2013	-	-	-	-

(a) Pascoes
The consolidated entity has on occasion made purchases at arms' length at both normal market prices and normal commercial terms from Pascoes Pty Ltd. Mr David Schwartz, a director of the consolidated entity, has an interest in Pascoes Pty Ltd.

(b) Mr Michael Arnold
The consolidated entity provided Mr Michael Arnold, a previous director of the consolidated entity, a temporary loan charged at an interest rate of 6.45% per annum. This amount was repaid in full on the 31st July 2013.

(c) Minc Group Pty Ltd
The consolidated entity has on occasion made purchases at arms' length at both normal market prices and normal commercial terms from Minc Group Pty Ltd. Mr Robert Mancini is a director of Minc Group Pty Ltd, a legal practice. Mr Robert Mancini, a registered solicitor, is related to John Mancini, the managing director of the consolidated entity.

Terms and conditions of transactions with related parties
Sales to and purchases from related parties are made at arms' length at both normal market prices and normal commercial terms. Outstanding balances at year-end are unsecured and settlement occurs in cash and on demand. There have been no guarantees provided or received for any related party balances.

Other Transactions
Employee share incentive loans were issued in the year in connection with the issue of shares under the Company's Employee Share Plan. Refer to note 16 (a) for further information.

Key Management Personnel
Disclosures relating to key management personnel are set out in Note 22 and the remuneration report in the directors' report.

19. ASSOCIATES AND JOINT ARRANGEMENTS

In July 2013, a Joint Venture Agreement was signed between ADG Global Supply Limited and Matera Supply Pty Ltd forming Matera Supply Joint Venture. Principal activities of the joint venture is sales of industrial and safety products and procurement services to Australian clients. The joint venture operates as a majority owned Indigenous business with a strong mandate for Indigenous employment, training and local community engagement. The company is a 30% owner in the joint venture. There is no cost of investment as the joint venture partners contribute resources to the joint venture's operations. The net impact on the company from applying the equity method is $nil.

20. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year, the Directors are not aware of any matters or circumstances not otherwise dealt with in this report or the consolidated financial statements that have significantly affected or may affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

21. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2014 $'000	2013 $'000
Amounts received or due and receivable by the current auditor, RSM Bird Cameron Partners for:		
• an audit or review of the financial report	63	88
• other services		
- tax compliance	17	19
	80	107
Amounts received or due and receivable by a network firm of RSM Bird Cameron Partners for:		
• an audit or review of the financial report	26	27
• other services		
- tax compliance	4	3
	30	30

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the company's directors and key management personnel for the year ended 30 June 2014.

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2014 $'000	2013 $'000
Short-term employee benefits	533	1,121
Post-employment benefits	42	66
Share-based payments	29	62
	604	1,249

23. BUSINESS COMBINATIONS

(a) Summary of acquisition of Winchester Procurement business
On 13 January 2012, the Group acquired the Winchester Procurement business.

Details of the purchase consideration, the net assets and liabilities acquired, and bargain purchase adjustment as follows:

	2014 $'000	2013 $'000
PURCHASE CONSIDERATION		
Total purchase consideration	-	-
Less: deferred consideration	-	1,190
Purchase consideration settled in cash	-	1,190
Acquisition costs	-	-
Less: cash in controlled entity acquired	-	-
Cash outflow, net of cash acquired	-	1,190
FAIR VALUE		
The assets and liabilities arising from the acquisition are as follows:		
Inventories	-	-
Plant and equipment	-	-
Receivables	-	-
Payables	-	-
Provision	-	-
Other	-	-
TOTAL	-	-
Acquisition cost	-	-
Bargain purchase adjustment	-	-
Deferred consideration	-	1,190
Consideration for the acquisition of new business and subsidiaries, net of cash acquired	-	1,190

(b) Equity instruments issued
On 4 July 2013, the consolidated entity cancelled 2,000,000 shares via the Employee Share Plan to the vendor in consideration for the acquisition of Winchester Procurement.

24. CASH FLOW INFORMATION

Reconciliation of net loss after tax to the net cash flows from operations	CONSOLIDATED 30 JUNE 2014 $'000	CONSOLIDATED 30 JUNE 2013 $'000
Net (loss) after taxation	(18,009)	(1031)
ADJUSTMENTS FOR:		
Depreciation and amortisation	408	551
Options valuation expense	16	(3)
Net loss on disposal of property, plant and equipment	-	1
Impairment of intangible assets	7,818	-
Inventory provision	3,901	-
Bad debt write off	1,733	-
CHANGES IN ASSETS AND LIABILITIES		
Decrease / (Increase) in inventories	230	(3,379)
Decrease in trade and other receivables	3,063	8,871
(Increase) / Decrease in other assets	(111)	1,292
Decrease / (Increase) in net deferred income tax assets and liabilities	584	(223)
Increase / (Decrease) in tax provision	232	(801)
(Decrease) in trade and other payables	(1,709)	(6,879)
(Decrease) / Increase in provisions	(154)	30
Net cash flows used in operating activities	**(1,998)**	**(1,571)**

25. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net earnings for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

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

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

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Net loss attributable to ordinary shareholders for basic loss per share	**(18,009)**	**(1,031)**
Effect of dilutive equity instruments	-	-
Net loss attributable to ordinary shareholders for diluted loss per share per share	**(18,009)**	**(1,031)**

25. LOSS PER SHARE (CONTINUED)

	Number of shares 2014	Number of shares 2013
Weighted average number of ordinary shares for basic loss per share	295,061,697	247,708,354
Effect of dilution:	-	-
Adjusted weighted average number of ordinary shares for diluted loss per shareshare	295,061,697	247,708,354

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

The number of ordinary shares on issue at 30 June 2014 was 316,456,218.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out in the financial report, are in accordance with the Corporations Act 2001 and:

   a) comply with Australian Accounting Standards, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3. the directors have been given the declarations required by s295A of the Corporations Acct 2001 from the Chief Executive Officer and Chief Financial Officer.

The company and its controlled entities as disclosed in note 18 have entered into a deed of cross guarantee under which the company and its controlled entities guarantee the debts of each other.

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

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

David Schwartz
Chairman

Perth, 30 September 2014

RSM Bird Cameron Partners

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADG GLOBAL SUPPLY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of ADG Global Supply Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ADG Global Supply Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of ADG Global Supply 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 Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company and consolidated entity incurred net losses of $11.306 million and $18.009 million respectively, and the consolidated entity had cash outflows from operating activities of $1.998 million for the year ended 30 June 2014. These conditions, as set out in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and, therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report contained within 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.

Opinion

In our opinion the Remuneration Report of ADG Global Supply Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

J A KOMNINOS
Partner

Perth, WA
Dated: 30 September 2014

ASX Additional Information as at 24 September 2014

Additional information required by the Australian Securities Exchange Limited 's Listing Rules and not disclosed elsewhere in this report. The information is provided below

(a) Distribution of Shareholders

Category	Holders	Fully Paid Ordinary Shares	%
1 - 1,000	150	28,112	0.009
1,001 - 5,000	85	230,086	0.073
5,001 - 10,000	44	355,733	0.112
10,001 - 100,000	165	7,098,323	2.243
100,001 - and over	157	308,743,964	97.563
Total	**601**	**316,456,218**	**100.000**
Holding less than a marketable parcel	400	4,141,007	1.309

(b) Shareholdings - Substantial Shareholdings

The number of shares held at the report date, by the substantial shareholders was as follows:

Ordinary Shareholder	Fully Paid Ordinary Shares	%
Mr Charles Morgan (via Priapos Pty Ltd)	32,025,160	10.12
Mr David Schwartz (via a number of entities)	27,184,449	8.59
Mr John Mancini (via a number of entities)	14,602,968	4.61
Total	**73,812,577**	**23.32**

ASX Additional Information as at 24 September 2014

(c) Shareholdings - Twenty Largest Holders of Quoted Equity Securities
The number of shares held at the report date by the twenty largest holders of quoted equity securities:

Ordinary Shareholder	Fully Paid Ordinary Shares	%
Custodial Services Limited	39,087,634	12.35
Mr Charles Morgan (via Priapos Pty Ltd)	32,025,160	10.12
Speedmark Australia Pty Ltd	28,500,000	9.01
Mr David Schwartz (via a number of entities)	27,184,449	8.59
Magna Group BV	15,166,667	4.79
Mr John Mancini (via a number of entities)	14,602,968	4.61
Skye Alba Pty Ltd	13,465,000	4.25
Mr M & Mrs M Schaillee (via a number of entities)	7,653,238	2.42
Jasforce Pty Ltd	7,500,000	2.37
Two Tops Pty Ltd	6,494,533	2.05
Rubi Holdings Pty Ltd	6,340,485	2.00
Berne No 132 Nominees Pty Ltd	6,000,000	1.90
Mr Daniel White	5,611,399	1.77
Moutier Pty Ltd	5,555,200	1.76
Two Owls Investments Pty Ltd	4,350,889	1.37
SCE Superannuation Pty Ltd	4,000,000	1.26
Stonehaven Holdings Pty Ltd	3,557,900	1.12
Adelante Pty Ltd	3,131,899	0.99
Jodonash Pty Ltd	3,000,000	0.95
Brownlow Pty Ltd	3,000,000	0.95
Total	**236,227,421**	**74.65**

(d) Shareholdings - Director and Company Secretary Shareholdings
The number of shares held at the report date, by the Directors and the Company Secretary were as follows:

Ordinary Shareholder	Fully Paid Ordinary Shares
Mr. Charles Morgan	32,025,160
Mr. David Schwartz	27,184,449
Mr. John Mancini	14,602,968
Mr. Paul Roberts	2,986,250
Total	**76,798,827**

(e) Company Secretary

Mr Paul Roberts

(f) Registered Office

19 Walters Drive Osborne Park Western Australia 6017
Tel: +61 8 99329 5900

(g) Share Registry

Boardroom Pty Limited

Level 7, 207 Kent Street Sydney New South Wales 2000
Tel: +61 2 9290 9600

ADG GLOBAL SUPPLY LIMITED

ADG Corporate Head Office
19 Walters Drive Osborne Park
Western Australia 6017
Phone: +61 8 9329 5900
Fax: +61 8 9329 5999
Email: info@adgglobalsupply.com

ADG Global Supply Limited shares are listed on
the Australian Securities Exchange ASX Code: ADQ