

---

**ADG GLOBAL SUPPLY LIMITED  
(SUBJECT TO DEED OF COMPANY  
ARRANGEMENT)  
ABN 16 082 34 1 197**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2015**

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

The directors present their report, together with the financial statements of the company and the consolidated entity, being the company and its controlled entities, for the financial year ended 30 June 2015.

**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 (Chairman)  
Mr John Mancini (Managing director)  
Mr Charles Morgan (Non-executive director)

**Principal activities**

The principal activities of the company 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. As a result of the downturn in the mining services sector combined with a key client placing their mine operations on care and maintenance whilst owing a large debt to the company, the company voluntarily suspended trading on the official list of the ASX on 8 December 2014. As further discussed under the significant changes in the state of affairs section, the company's directors had appointed Simon Theobald and Melissa Humann of PPB Advisory as joint and several voluntary administrators of ADG Global Supply Limited and ADG Global Supply Pty Ltd on 6 January 2015 under s436A of the Corporations Act 2001.

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

The consolidated net loss after providing for tax amounted to \$10.640 million (2014: loss \$18.009 million). The majority of the loss was attributed to the deconsolidation of the subsidiaries upon the appointment of the administrators on 6 January 2015. The operating activities after this date were minimal.

ADG Global Supply Pty Ltd employed approximately 10 employees at the date of appointment of the voluntary administrators and operated from leasehold premises located in Osborne Park, Western Australia.

**Dividends**

There were no dividends paid, recommended or declared during the current or previous financial year.

**Significant changes in the state of affairs**

On 8 December 2014, the securities of the company were suspended from official quotation on the Official List of the ASX at the request of the company.

On 6 January 2015, Simon Theobald and Melissa Humann of PBB Advisory were appointed joint and several voluntary administrators of ADG Global Supply Limited and ADG Global Supply Pty Ltd by the company's directors under s436A of the Corporations Act 2001.

On 11 February 2015, the company obtained the approval of its creditors to enter into a Deed of Company Arrangement ("DOCA") and was executed on 3 March 2015.

On 24 September 2015, the company obtained the approval of its creditors to enter into the Varied DOCA put forward by Ostana Capital which was executed on 25 September 2015.

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

**Matters subsequent to the end of the financial year**

At a meeting of creditors held on 24 September 2015, creditors resolved to approve a variation to the DOCA put forward by Ostana Capital and executed on 3 March 2015. The variation deed was subsequently executed on 25 September 2015.

Other than the above, there are no matters or circumstances that have arisen since the end of the year ended 30 June 2015 which have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial reporting periods.

**Likely developments and expected results of operations**

The company is preparing to seek the relevant shareholder approvals to facilitate the effectuation of the Deed of Company Arrangement and a re-quotation of its securities on ASX. Should the shareholders approve the relevant resolutions, the company intends to seek the equity funds to complete the aforementioned effectuation of the Deed of Company Arrangement and re-quotation of its securities on ASX.

**Environmental regulation**

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

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

**Directors' Qualifications**

The names, qualifications, and experience of the company's Directors in office during the year ended 30 June 2015 (the "financial year") and until the date of this report are as below.

Name	Role	Age	Particulars
Mr D Schwartz	Independent, Non Executive Chairman	61	<ul style="list-style-type: none"> <li>Independent non-executive Director</li> <li>Chair of the Audit, Nomination &amp; Remuneration Committee</li> <li>25+ years of experience managing a range of successful companies</li> <li>Director of Primewest Management Group which manages an investment portfolio of over \$2 billion</li> <li>Extensive experience in international procurement through private businesses Pascoes Pty Ltd, a chemical manufacturer and distributor, and ToLife Technologies Pty Ltd</li> </ul>
Mr J Mancini	Managing Director	46	<ul style="list-style-type: none"> <li>Managing Director</li> <li>Bachelor of Business</li> <li>Past experience with Ernst &amp; Young as an Associate Director in its strategic growth markets division focused on assisting and finding growth solutions for WA fast growth private companies and listed entities that sit in the ASX200</li> </ul>
Mr C Morgan	Non-Executive Director	56	<ul style="list-style-type: none"> <li>25 years of experience in equity capital markets and resource &amp; energy related projects</li> <li>Director of Grand Gulf Energy Limited.</li> </ul>

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

**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

**INTERESTS IN THE SECURITIES OF THE COMPANY**

Name	Ordinary Shares	Options
Mr D Schwartz	27,184,449	-
Mr J Mancini	10,418,767	-
Mr C Morgan	32,025,160	-

**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 from November 2010 to September 2014.

**MEETING OF DIRECTORS**

The numbers of meetings of the Company's Board of Directors and each Board committee held during the year ended 30 June 2015 and the numbers of meetings attended by each Director were:

			MEETING OF COMMITTEES					
	Full meeting of Directors		Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Mr D Schwartz	6	6	2	2	1	1	1	1
Mr J Mancini	6	6	2	2	1	1	1	1
Mr C Morgan	6	6	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

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

The objective of the company'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.

The company 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.

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 company, the balance of this mix shifts to a higher proportion of "at risk" rewards.

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

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 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 2014 and the fees listed below reflect this review.

Chairman	\$52,000 per annum
Non-Executive Director	\$30,000 per annum

**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.

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.

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

*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.

*Voting and comments made at the company's 2014 Annual General Meeting ("AGM")*

At the 2014 AGM, 99.85% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

**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 company (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 \$	\$
<b>30 June 2015</b>							
David Schwartz*	26,000	-	-	-	-	-	26,000
Charles Morgan**	15,000	-	-	-	-	-	15,000
John Mancini	162,334	-	-	9,195	-	-	171,529
Paul Roberts	81,338	-	-	4,160	-	-	85,498
<b>TOTAL:</b>	284,672	-	-	13,355	-	-	298,027

\*David Schwartz had accrued Directors fees amounting to \$26,000 for the period of July 2014 to the date of administration, which have been included in the table above. As part of the DOCA entered into in 2015, Mr Schwartz agreed to forego the outstanding amount upon the execution of the varied DOCA on 25 September 2015.

\*\*Charles Morgan had accrued Directors fees amounting to \$15,000 for the period of July 2014 to the date of administration, which have been included in the table above. As part of the DOCA entered into in 2015, Mr Morgan agreed to forego the outstanding amount upon the execution of the varied DOCA on 25 September 2015.



**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

	SHORT-TERM			POST-EMPLOYMENT		SHARE BASED PAYMENT	TOTAL
	Salary & Fees \$	Cash Bonus \$	Non Monetary benefits \$	Superannuation \$	Retirement Benefits \$	Options \$	\$
<b>30 June 2014</b>							
David Schwartz*	53,667	-	-	-	-	-	53,667
Charles Morgan**	31,120	-	-	-	-	-	31,120
John Mancini	268,287	-	-	24,817	-	27,435	320,539
Michael Arnold***	17,193	-	-	1,590	-	-	18,783
Paul Roberts	162,972	-	-	15,075	-	1,855	179,902
<b>TOTAL:</b>	533,239	-	-	41,482	-	29,290	604,011

\*David Schwartz had accrued Directors fees amounting to \$26,000 for the period of 1 January 2014 to 30 June 2014, which have been included in the table above. As part of the DOCA entered into in 2015, Mr Schwartz agreed to forego the outstanding amount upon the execution of the varied DOCA on 25 September 2015.

\*\*Charles Morgan had accrued Directors fees amounting to \$15,000 for the period of for the period of 1 January 2014 to 30 June 2014, which have been included in the table above. As part of the DOCA entered into in 2015, Mr Morgan agrees to forego the outstanding amount upon the execution of the varied DOCA on 25 September 2015.

\*\*\*Michael Arnold resigned 25 October 2013.

### **Appointment of Administration**

For the period from 6 January 2015 onwards, the company has been subject to the management of the administrators (Simon Theobald and Melissa Humann of PBB Advisory). The fee charged to the company by the administrators for the administration process from 6 January 2015 to 30 June 2015 is \$70,000. The amount unpaid as at 30 June 2015 is \$70,000.

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

**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. It should be noted that the director fees from January 2014 to December 2014 were foregone at the time of the administration in order to increase the amounts available to other creditors under the DOCA.

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.

*J Mancini, Managing Director*

- Term of agreement - on-going; ceased upon appointment of administrator.

*P Roberts, Chief Financial Officer*

- Term of agreement – agreement terminated in September 2014 due to a financial restructure of the business.

**D. Share-based compensation**

There were no shares issued to directors or key management personnel as part of compensation during the year.

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:

	Balance 01-Jul-14	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30-June-15
<b>2015</b>					
David Schwartz	27,184,449	-	-	-	27,184,449
John Mancini	14,602,968	-	-	(4,184,201)	10,418,767
Charles Morgan	32,025,160	-	-	-	32,025,160
Paul Roberts	2,986,250	-	-	(500,000)	2,486,250
<b>Total</b>	<b>76,798,827</b>	<b>-</b>	<b>-</b>	<b>(4,684,201)</b>	<b>72,114,626</b>

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.

**Related party transactions – non-remuneration related**

There were no related party transactions other than \$11,000 in the prior year with Minc Group Pty Ltd for legal services provided to the company at arms' length and normal commercial terms. The director, John Mancini, is related to the director of Minc Group Pty Ltd.

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

**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 2015.

	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Revenue (\$000's)	21,867	37,015	79,374	83,682	52,216
Profit / (Loss) after taxation (\$000's)	(10,640)	(18,009)	(1,031)	1,752	725
Dividend	-	-	-	-	-
Basic earnings per share (cents per share)	(3.36)	(6.10)	(0.42)	0.79	0.47
Diluted earnings per share (cents per share)	(3.36)	(6.10)	(0.42)	0.79	0.47
Share price at 30 June (\$)	N/A+	0.012	0.019	0.060	0.070

+Suspended as the company has been under voluntary administration since 6 January 2015.

*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 company. 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.***

**Shares under option**

There were no unissued ordinary shares of the company issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

**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.

**Directors' Report**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

**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.

**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**

There were no non-audit services provided during the financial year by the auditor.

**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 Corporations Act 2001 is included within this financial report.

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

On behalf of the directors



Signature

30 October 2015  
Date

Signed for and behalf of ADG Global Supply Limited (subject to Deed of Company Arrangement) (ACN 082 341 197) by its appointed deed administrator Simon Guy Theobald.

**Corporate Governance**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

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.

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 Company'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 Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company 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 Company'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 Company's system for compliance and risk management reporting to shareholders.

Day to day management of the Company'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 Company'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](http://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 Company.

### ***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 three 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. 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 Company 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 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 an employee materially associated with the service provided;
- is a material supplier or customer of the Company or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company other than as a Director of the Company; 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 Company 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 2015, and the number of meetings attended by each Director is disclosed on page 4.

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***

In accordance with the Board Charter, if there were any business dealings between a director related entity and the company, the directors concerned will declare their interests in those dealings to the company and took no part in decisions relating to them or the preceding discussions.

### ***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.

### ***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 4.

The Nomination committee operates in accordance with a 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 Company'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 Company 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 Company 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 4.

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

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***

The 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 was the Company's auditors for the year ended 30 June 2015.

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 21 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 Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company 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 Company'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.

**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 Company's business objectives.

**Corporate Governance**  
**ADG Global Supply Limited**  
**(Subject to a Deed of Company Arrangement)**  
**For the year ended 30 June 2015**

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 Company'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 Company'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 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 Company 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 MD 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 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 4.

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.

**STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Consolidated 30 June 2015 \$'000	Consolidated 30 June 2014 \$'000
<b>Revenue</b>	5	<b>21,868</b>	<b>37,015</b>
Other income	5	-	7
<b>Expenses</b>			
Raw materials and consumables used	5	(18,385)	(36,307)
Employee benefits expense		(2,148)	(4,844)
Impairment of intangible assets	12(c)	-	(7,818)
Depreciation and amortisation expense		(172)	(409)
Loss on disposal of controlled entities	18	(10,252)	-
Other expenses	5	(1,180)	(4,432)
Finance costs	5	(371)	(562)
<b>Loss before income tax</b>		<b>(10,640)</b>	<b>(17,350)</b>
Income tax expense	6	-	(659)
<b>Loss attributable to the members of ADG Global Supply Limited</b>		<b>(10,640)</b>	<b>(18,009)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to operating result</i>			-
Foreign currency translation reserve		(331)	131
Other comprehensive income for the year (net of tax)		(331)	131
<b>Total Comprehensive Income attributable to the members of ADG Global Supply Limited</b>		<b>(10,971)</b>	<b>(17,878)</b>
Loss per share (cents per share)	24		
- basic loss per share		(3.36)	(6.10)
- diluted loss per share		(3.36)	(6.10)

*The accompanying notes form part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2015**

	<b>Notes</b>	<b>30 June 2015 \$'000</b>	<b>Consolidated 30 June 2014 \$'000</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	-	226
Trade and other receivables	8	-	9,502
Inventory	9	-	4,969
Other assets	10	-	1,198
<b>Total Current Assets</b>		<b>-</b>	<b>15,895</b>
<b>Non-Current Assets</b>			
Deferred tax asset	6	-	-
Property, plant and equipment	11	-	870
Intangible assets	12	-	102
<b>Total Non-Current assets</b>		<b>-</b>	<b>972</b>
<b>TOTAL ASSETS</b>		<b>-</b>	<b>16,867</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	13	384	6,279
Income tax payable		-	70
Borrowings	14	7,790	7,310
Provisions	15	-	271
<b>Total Current Liabilities</b>		<b>8,174</b>	<b>13,930</b>
<b>Non-Current Liabilities</b>			
Provisions	15	-	107
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>107</b>
<b>TOTAL LIABILITIES</b>		<b>8,174</b>	<b>14,037</b>
<b>NET ASSETS</b>		<b>(8,174)</b>	<b>2,830</b>
<b>EQUITY</b>			
Issued capital	16 (a)	18,684	18,684
Options valuation reserve		345	378
Foreign exchange translation reserve		-	331
Accumulated losses		(27,203)	(16,563)
<b>TOTAL EQUITY</b>		<b>(8,174)</b>	<b>2,830</b>

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Consolidated 30 June 2015 \$'000	Consolidated 30 June 2014 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		20,534	40,078
Payments to suppliers and employees		(20,169)	(41,678)
Interest received		-	7
Interest paid		(371)	(562)
Net income tax refund/(paid)		(15)	157
<b>Net cash flows used in operating activities</b>	<b>23</b>	<b>(21)</b>	<b>(1,998)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(58)	(36)
Purchase of intangible assets		-	(3)
<b>Net cash flows used in investing activities</b>		<b>(58)</b>	<b>(39)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	285
Net proceeds from borrowings		(147)	(917)
<b>Net cash flows used in financing activities</b>		<b>(147)</b>	<b>(632)</b>
Net decrease in cash and cash equivalents		(226)	(2,669)
Cash and cash equivalents at beginning of year		226	2,895
<b>Cash and cash equivalents at end of the year</b>	<b>7</b>	<b>-</b>	<b>226</b>
<b>RECONCILIATION OF CASH</b>			
Cash at bank and in hand	<b>7</b>	-	226
		<b>-</b>	<b>226</b>

*The accompanying notes form part of these financial statements.*



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2015**

		Issued capital	Options valuation reserve	Foreign exchange translation reserve	Retained earnings / (accumulated losses)	Total equity
	Note	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
<b>At 1 July 2013</b>		<b>18,399</b>	<b>402</b>	<b>200</b>	<b>1,446</b>	<b>20,447</b>
Loss for the year		-	-	-	(18,009)	(18,009)
Other comprehensive income for the period (net of tax)		-	-	131	-	131
Total comprehensive income/(loss) for the period		-	-	131	(18,009)	(17,878)
<b>Transactions with owners, in their capacity as owners</b>						
Issue of ordinary shares	16	285	-	-	-	285
Net value of options cancelled during the year		-	(24)	-	-	(24)
<b>At 30 June 2014</b>		<b>18,684</b>	<b>378</b>	<b>331</b>	<b>(16,563)</b>	<b>2,830</b>
<b>At 1 July 2014</b>		<b>18,684</b>	<b>378</b>	<b>331</b>	<b>(16,563)</b>	<b>2,830</b>
Loss for the year		-	-	-	(10,640)	(10,640)
Other comprehensive income for the period (net of tax)		-	-	(331)	-	(331)
Total comprehensive income/(loss) for the period		-	-	(331)	(10,640)	(10,971)
<b>Transactions with owners, in their capacity as owners</b>						
Issue of ordinary shares	16	-	-	-	-	-
Net value of options cancelled during the year		-	(33)	-	-	(33)
<b>At 30 June 2015</b>		<b>18,684</b>	<b>345</b>	<b>-</b>	<b>(27,203)</b>	<b>(8,174)</b>

*The accompanying notes form part of these financial statements.*

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

The financial statements of ADG Global Supply Limited (the "company") for the year ended 30 June 2015 comprise of the company and its controlled entities (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 company deconsolidated its controlled entities from the financial statements on 6 January 2015 when the company went into voluntary administration and lost control of the controlled entities. Therefore, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended 30 June 2015 were that of the consolidated entity while the statement of financial position as at 30 June 2015 was that of the company.

The financial statements were authorised for issue in accordance with a resolution of the directors dated 30 October 2015.

#### **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 company 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 report has been prepared on the going concern basis and contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the consolidated entity incurred net losses of \$10.640 million and had net cash outflows from operating activities of \$0.021 million for the year ended 30 June 2015. As at that date, the company had net current liabilities and net liabilities of \$8.174 million.

The Directors believe that there are reasonable grounds to believe that ADG Global Supply Limited will continue as a going concern because the Varied Deed of Company Arrangement ("DOCA"), once effectuated, will extinguish all liabilities associated with the administration of ADG Global Supply Limited and result in a planned restructure and recapitalisation of ADG Global Supply Limited.

If the DOCA is not effectuated and the restructure and recapitalisation does not occur, there is significant uncertainty whether ADG Global Supply Limited will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **(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.

#### *Deconsolidation*

The company deconsolidated its controlled entities from the financial statements on 6 January 2015 when the company went into voluntary administration and lost control of the controlled entities. Therefore, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended 30 June 2015 were that of the consolidated entity while the statement of financial position as at 30 June 2015 was that of the company.

#### **(c) 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 financial statements are presented in Australian Dollars, which is the company'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.

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.

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### (d) 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.

### (e) Income tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income. 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 as unused tax losses.

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

No 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.

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.

### (f) 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.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

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.

#### **(g) 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.

#### **(h) 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.

#### **(i) 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.

#### **(j) 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.

#### **(k) 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 statement of profit or loss and other comprehensive income immediately.

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### 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 company 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 company assesses whether there is objective evidence that a financial asset has been impaired. In the case of available-for-sale financial instruments, a significant or 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.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **(l) 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 company 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.

#### **(m) 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.

#### **(n) 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 company 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.



## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **(o) Provisions**

Provisions are recognised when the company 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.

#### **(p) Employee benefits**

Provision is made for the company'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 company'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 company'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 company'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.

#### **(q) Share-based payment transactions**

The company provides benefits to employees (including executive directors) of the company 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').



## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

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.

#### **(r) 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.

#### **(s) 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.

#### **(t) 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.

#### **(u) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The company deconsolidated its controlled entities from the financial statements on 6 January 2015 when the company went into voluntary administration and lost control of the controlled entities. Therefore, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended 30 June 2015 were that of the consolidated entity while the statement of financial position as at 30 June 2015 was that of the company.

#### **(v) 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 company.

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### (v) Critical Accounting Estimates and Judgments (Cont'd)

#### *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.

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

The company 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 company.

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 company for the annual reporting period ended 30 June 2015. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the company.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **(w) New, revised or amending Accounting Standards and Interpretation adopted (Cont'd)**

##### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The company will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the company.

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### 2. PARENT ENTITY DISCLOSURES

#### (a) Financial position

	2015 \$'000	2014 \$'000
<b>ASSETS</b>		
Current assets	-	11,965
Non-current assets	-	-
Total assets	-	11,965
<b>LIABILITIES</b>		
Current liabilities	8,174	9,135
Non-current liabilities	-	-
Total liabilities	8,174	9,135
<b>Net Assets</b>	<b>(8,174)</b>	<b>2,830</b>
<b>EQUITY</b>		
Issued capital	18,684	18,684
Accumulated losses	(27,203)	(16,232)
Reserves	345	378
<b>Net Equity</b>	<b>(8,174)</b>	<b>2,830</b>

#### (b) Financial performance

	2015 \$'000	2014 \$'000
Loss for the year	(10,971)	(9,982)
Other comprehensive income	-	-
Total comprehensive income	<b>(10,971)</b>	<b>(9,982)</b>

#### (c) Cross Guarantees

The previous deed of cross guarantee between the company and the relevant controlled entities became ineffective when the company went into voluntary administration on 6 January 2015.

#### (d) Other Commitments and Contingencies

ADG Global Supply Limited has no commitment to acquire property, plant and equipment, and has no contingent liabilities as at 30 June 2015.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **3. FINANCIAL RISK MANAGEMENT**

The company'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 company'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 company.

The company 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.

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 and credit risk.

The company holds the following financial instruments:

	Notes	30 June 2015 \$'000	Consolidated 30 June 2014 \$'000
<b>FINANCIAL ASSETS</b>			
Cash and cash equivalents	8	-	226
Trade and other receivables	9	-	9,502
		-	9,728
<b>FINANCIAL LIABILITIES</b>			
Trade and other payables	13	384	6,279
Borrowings	14	7,790	7,310
		8,174	13,589

#### **(a) Market risk**

##### *(i) Foreign exchange risk*

The company 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 company'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 company in order to manage foreign exchange risk against the company'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.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **3. FINANCIAL RISK MANAGEMENT (CONT'D)**

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

##### **US Dollar**

	2015 In AUD '000	Consolidated 2014 In AUD '000
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	-	18
Trade and other receivables	-	3,050
	-	3,068
<b>FINANCIAL LIABILITIES</b>		
Trade and other payables	-	502
	-	502
Net exposure	-	2,566

##### **British Pound**

	CONSOLIDATED	
	2015 In AUD '000	2014 In AUD '000
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	-	-
Trade and other receivables	-	6,252
	-	6,252
<b>FINANCIAL LIABILITIES</b>		
Trade and other payables	-	3,844
	-	3,844
Net exposure	-	2,408

##### *Foreign exchange sensitivity*

The US Dollar/Australian Dollar exchange rate used to translate balances denominated in US Dollar as at 30 June 2015 was Nil (2014: 0.943) and the British Pound/Australian Dollar exchange rate used to translate balances denominated in British pound as at 30 June 2015 was Nil (2014: 0.551).

Based on the financial instruments held at 30 June 2015, had the Australian dollar weakened/strengthened by 1% against the US Dollar with all other variables held constant, the company's post-tax results for the year and equity would have been \$Nil higher/lower (2014: \$25,600 higher/lower). Had the Australian dollar weakened/strengthened by 1% against the British Pound, with all other variables held constant, the company's post-tax results for the year and equity would have been \$Nil higher/lower (2014: \$24,000 higher/lower).

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **3. FINANCIAL RISK MANAGEMENT (CONT'D)**

##### *(iii) Interest rate risk*

The company's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk. The company policy is to manage both risks as appropriate in conjunction with considerations about minimising the company'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 company's interest expense.

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

	Weighted Average Interest rate %	30 June 2015 \$'000	Weighted Average Interest rate %	30 June 2014 \$'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents		-	0.64	2,895
<b>FINANCIAL LIABILITIES</b>				
Interchange facility 1	#	2,600	2.70%	2,800
Interchange facility 2	#	1,600	4.34%	2,000
Interchange facility 3	#	1,155	9.34%	1,768
Asset purchase facility	#	325	7.06%	382
Trade facility		-	14.00%	213
Overdraft facility	#	1,898	7.06%	147
Property guarantee	#	212	-	-
		<u>7,790</u>		<u>7,310</u>

##### *# Interest rate sensitivity*

The company'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 company's post-tax results for the year and equity would have been lower/higher by \$77,900 (2014: \$44,150). Interest charges have been suspended since the company went into voluntary administration on 6 January 2015.

#### **(b) Credit risk**

Credit risk is 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 company generally retains title over the goods sold until full payment is received. For some trade receivables the company 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 company has material credit risk exposure to a group of receivables under financial instruments entered into by the company amounting to \$Nil (2014: \$5,763,437).

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **3. FINANCIAL RISK MANAGEMENT (CONT'D)**

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:

	2015 \$'000	Consolidated 2014 \$'000
<b>CASH AND CASH EQUIVALENTS</b>		
AA	-	226
	-	226
<b>TRADE AND OTHER RECEIVABLES</b>		
Non-rated	-	9,502
	-	9,502

#### 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 2015	≤ 12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	-	-	-
	-	-	-	-
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	384	-	-	384
Borrowings	7,790	-	-	7,790
	8,174	-	-	8,174
<b>Net maturity</b>	(8,174)	-	-	(8,174)



## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **3. FINANCIAL RISK MANAGEMENT(CONT'D)**

	≤ 12 months	1-5 years	>5 years	Total
Year ended 30 June 2014	\$'000	\$'000	\$'000	\$'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	226	-	-	226
Trade and other receivables	9,502	-	-	9,502
	9,728	-	-	9,728
<b>FINANCIAL LIABILITIES</b>				
Trade and other payables	6,279	-	-	6,279
Borrowings	7,310	-	-	7,310
	13,589	-	-	13,589
<b>Net maturity</b>	(3,861)	-	-	(3,861)

#### **(d) Fair value**

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

#### **(e) Capital risk management**

The company manages its capital to ensure that entities in the company 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 company consists of net debt (borrowings as detailed in note 3 offset by cash and bank balances) and equity of the company comprising issued capital, reserves and accumulated losses).

The company is not subject to any externally imposed capital requirements.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **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 Company including safety products, products for MRO (maintenance, repairs & operations) and off -the-road tyres.

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

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

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

The company was under voluntary administration since 6 January 2015. For the year ended 30 June 2014, 24%, 17% and 16% of its revenues was derived from the top three external customers and in 2014, 45% of the company'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 company.

###### **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 company 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;
- Loss on disposal of controlled entities
- Income tax expense;
- Tax balances;
- Borrowings; and
- Cash and cash equivalents.

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### 4. SEGMENT INFORMATION (CONT'D)

#### (b) Operating segments

	INDUSTRIAL PRODUCTS	GLOBAL PROCUREMENT	SUPPLY CHAIN	TOTAL
	\$'000	\$'000	\$'000	\$'000
<b>YEAR ENDED 30 JUNE 2015</b>				
<b>Revenue</b>				
Sales to external customers	850	17,013	4,005	21,868
Other revenues from external customers				-
Total segment revenue				21,868
<b>Result</b>				
Operating loss				(16)
Loss on disposal of controlled entities				(10,252)
Finance costs				(372)
Loss before income tax				(10,640)
Income tax expense				-
Net loss for the year				(10,640)
<b>Assets and liabilities</b>				
Segment assets	-	-	-	-
Unallocated assets				-
Total assets				-
Segment liabilities	-	-	-	-
Unallocated liabilities				8,174
Total liabilities				8,174

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### 4. SEGMENT INFORMATION (CONT'D)

#### (b) Operating segments (continued)

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

## NOTES TO FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

### 5. REVENUE AND EXPENSES

#### (a) Revenue, Income and Expenses

	CONSOLIDATED	
	2015	2014
	\$'000	\$'000
<b>REVENUE</b>		
Sales revenue	21,868	37,015
<b>Total revenue</b>	<b>21,868</b>	<b>37,105</b>
<b>OTHER INCOME</b>		
Bank Interest	-	7
<b>Total other income</b>	<b>-</b>	<b>7</b>
<b>FINANCE COSTS</b>		
Bank loans and overdrafts	371	562
<b>Total finance costs</b>	<b>371</b>	<b>562</b>
<b>OTHER EXPENSES</b>		
Travel and accommodation	194	352
Cost of inventories recognised as an expense	18,385	36,307

### 6. INCOME TAX

	CONSOLIDATED	
	2015	2014
	\$'000	\$'000
The major components of income tax expense are:		
Current income tax	-	(2,768)
Deferred income tax	-	3,427
<b>Income tax expense</b>	<b>-</b>	<b>659</b>

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **6. INCOME TAX (CONT'D)**

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 company's effective income tax rate for the years ended 30 June 2015 and 30 June 2014 is as follows:

	CONSOLIDATED	
	2015	2014
	\$'000	\$'000
Loss before income tax	(10,640)	(17,350)
At the statutory income tax rate of 30% (2014: 30%)	(3,192)	(5,205)
Expenditure not allowable for income tax purposes	3,076	2,437
Deferred tax asset not recognised	116	3,427
At effective income tax rate of Nil (2014: 3.79%)	-	659

A deferred tax asset amounting to \$3.543 million, attributable to income tax losses has not been recognised at reporting date as the probability criteria disclosed in Note 1(e) is not satisfied and such benefit will only be available if the conditions of deductibility, also disclosed in Note 1(e), are satisfied.

	BALANCE SHEET		INCOME STATEMENT	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000

#### **Deferred income tax**

Deferred income tax at 30 June relates to the following:

##### *Deferred income tax liabilities*

Unrealised foreign exchange gains	-	-	-	131
Other	-	-	-	116
Set off of deferred tax liabilities	-	-	-	(247)
Gross deferred income tax liabilities	-	-	-	-

##### *Deferred income tax assets*

Depreciable assets	-	-	-	(59)
Provisions and accruals	-	-	-	(307)
Unrealised foreign exchange losses	-	-	-	(30)
Other	-	-	-	(252)
Net loss on revaluation of cash flow hedges taken to equity	-	-	-	(18)
Losses available for offset against future taxable income	-	-	-	(204)
Set off of deferred tax liabilities	-	-	-	247
Gross deferred income tax assets	-	-	-	-

Deferred tax benefit not recognised	-	(2,804)
Deferred income tax benefit / (expense)	-	(3,427)

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **7. CASH AND CASH EQUIVALENTS**

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

	2015 \$'000	Consolidated 2014 \$'000
Cash at bank and in hand	-	226
	-	226

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

#### **8. TRADE AND OTHER RECEIVABLES**

	2015 \$'000	Consolidated 2014 \$'000
Trade receivables	-	9,210
Other receivables	-	292
	-	9,502

*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 (2014: Nil) has been recognised by the consolidated entity.

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

	<b>Total</b>	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI*	+91 Days PDNI*	+91 Days CI*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2015 Company	-	-	-	-	-	-	-
2014 Consolidated	9,210	4,328	1,847	767	-	2,268	-

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

Receivables past due but not considered impaired are: Nil (2014: \$3,035,000). 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.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **9. INVENTORIES**

	2015 \$'000	Consolidated 2014 \$'000
Stock on hand at cost	-	8,788
Provision for impairment (a)	-	(3,901)
Stock in transit at cost	-	82
	-	4,969

*(a) Provision for impairment*

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2015 amount to \$Nil (2014: \$3,900,799).

#### **10. OTHER ASSETS**

	2015 \$'000	Consolidated 2014 \$'000
Prepayments	-	1,198
	-	1,198

#### **11. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>YEAR ENDED 30 JUNE 2015</b>				
Balance at 1 July 2014	584	266	20	870
Disposals/Impairment	(467)	(216)	(15)	(698)
Depreciation charge for the year	(117)	(50)	(5)	(172)
Balance at 30 June 2015	-	-	-	-
<b>AT 30 June 2015</b>				
Cost	1,150	809	93	2,052
Accumulated depreciation	(1,150)	(809)	(93)	(2,052)
Net carrying amount	-	-	-	-

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

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



## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **12. INTANGIBLE ASSETS**

	2015 \$'000	Consolidated 2014 \$'000
Goodwill(a)	-	-
Software	-	102
	-	102

An analysis of intangible assets is presented below:

	Goodwill \$'000	Software \$'000	Product Rights \$'000	Total \$'000
<b>YEAR ENDED 30 JUNE 2014</b>				
At 1 July 2013, net of accumulated amortisation	7,872	227	-	8,099
Additions	-	12	-	12
Impairment (c)	(7,818)	-	-	(7,818)
Reversal (c)	(54)	-	-	(54)
Amortisation (b)	-	(137)	-	(137)
At 30 June 2014, net of accumulated amortisation	-	102	-	102
<b>YEAR ENDED 30 JUNE 2015</b>				
At 1 July 2014, net of accumulated amortisation	-	102	-	102
Impairment	-	(102)	-	(102)
At 30 June 2015, net of accumulated amortisation	-	-	-	-
<b>AT 30 June 2014</b>				
Cost (gross carrying amount)	14,136	498	-	14,634
Accumulated amortisation and impairment	(14,136)	(396)	-	(14,532)
Net carrying amount	-	102	-	102
<b>AT 30 JUNE 2015</b>				
Cost (gross carrying amount)	-	102	-	102
Accumulated amortisation and impairment	-	(102)	-	(102)
Net carrying amount	-	-	-	-

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **12. INTANGIBLE ASSETS (CONT'D)**

*(a) Goodwill*

Goodwill consisted of the following components:

	2015 \$'000	(Consolidated) 2014 \$'000
Goodwill arising on consolidation of:		
ADG Global Supply Pty Ltd	-	-
Winchester Procurement	-	-
	-	-

*(b) Amortisation*

Amortisation of \$Nil (2014: \$137,000) is included in depreciation and amortisation expense in the income statement.

*(c) Impairment:*

In the year ended 30 June 2014, 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.

#### **13. TRADE AND OTHER PAYABLES**

	2015 \$'000	Consolidated 2014 \$'000
Trade payables – subject to the DOCA	84	4,462
Payable to the Administrator	70	-
Accruals and other payables- subject to DOCA	230	1,817
	384	6,279

As noted throughout this report, the company appointed an Administrator on 6 January 2015. All trade and other payables subject to DOCA and payable to the Administrator have been recorded at their amortised cost until such time where the creditors have agreed to settlement of amounts owing. Under the DOCA executed on the 25 September 2015, an agreed amount of \$600,000 will be available to settle creditors' claims under the DOCA and the Administrator fees upon the satisfaction of the conditions stipulated in the DOCA.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **14. BORROWINGS**

Borrowings are comprised of the following:

	2015 \$'000	Consolidated 2014 \$'000
<b>CURRENT</b>		
Interchange facility 1 (a) (Subject to DOCA)	2,600	2,800
Interchange facility 2 (b) (Subject to DOCA)	1,600	2,000
Interchange facility 3 (c) (Subject to DOCA)	1,155	1,768
Asset purchase facility (d) (Subject to DOCA)	325	382
Trade facility (e)	-	213
Overdraft facility (f) (Subject to DOCA)	1,898	147
Property guarantee (g) (Subject to DOCA)	212	-
	<b>7,790</b>	<b>7,310</b>

Except for interest charges for 2015 which have been suspended since the company went into voluntary administration on 6 January 2015, the principal terms of the borrowings were 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 as at 30 June 2014 is 2.70% per annum.
  - Secured 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.
  - Secured 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.
  - Secured 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 as at 30 June 2014 is 7.06% per annum.
  - Secured over the assets of the consolidated entity.
- (e) *Trade facility*
- Provided by Speedmark Australia Pty Ltd, Australia.
  - Interest rate as at 30 June 2014 is 14% per annum.
  - Secured over security deposits financed by this facility.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **14. BORROWINGS (CONT'D)**

*(f) Overdraft facility*

- Provided by Nat West Bank, UK.
- Interest rate as 30 June 2014 is 4.45% per annum.
- Secured over the assets of Winchester Procurement Limited.

*(g) Property guarantee*

- Provided by ANZ Bank, Australia.
- Secured over the assets of the consolidated entity.

#### Financing arrangements

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

	Facility limit \$'000	Used \$'000	Available \$'000
<b>30 June 2015</b>			
Company	N/A	N/A	N/A
<b>30 June 2014</b>			
Consolidated	8,885	7,310	1,575

The company had \$Nil of available facilities to manage its liquidity as at 30 June 2015 (2014: consolidated entity had \$1,575,000).

In addition, there are facilities totalling \$Nil (2014:\$1.85 million) available.

#### *Classification*

All borrowings have been classified as current in the financial statements as the company is under voluntary administration since 6 January 2015. As noted throughout this report, the company appointed an Administrator on 6 January 2015. All trade and other payables subject to DOCA and payable to the Administrator have been recorded at their amortised cost until such time where the creditors have agreed to settlement of amounts owing. Under the DOCA executed on the 25 September 2015, an agreed amount of \$600,000 will be available to settle creditors' claims under the DOCA and the Administrator fees upon the satisfaction of the conditions stipulated in the DOCA.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **15. PROVISIONS**

Provisions are comprised of the following:

	2015 \$'000	Consolidated 2014 \$'000
<b>CURRENT</b>		
Employee entitlements	-	164
Other	-	107
<b>Total Current</b>	-	271
<b>NON-CURRENT</b>		
Employee entitlements	-	107
<b>Total Non-Current</b>	-	107
	-	378
<i>Movement in employee entitlements</i>		
Balance at beginning of year	271	311
Net amount used	-	(40)
Written back	(271)	-
Balance at end of year	-	271

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. ISSUED CAPITAL**

##### **(a) Ordinary shares**

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

	2015 Number	2014 Number
<b>ORDINARY SHARES</b>		
Issued and fully paid	316,456,218	316,456,218

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **16. ISSUED CAPITAL (CONT'D)**

##### **(a) Ordinary shares**

	Date	Number	\$'000's
<b>MOVEMENT IN ORDINARY SHARES ON THE ISSUE</b>			
At 1 July 2013		287,956,218	18,399
Share placement (Note 1)		28,500,000	285
<b>At 30 June 2014</b>		<b>316,456,218</b>	<b>18,684</b>
		-	-
<b>At 30 June 2015</b>		<b>316,456,218</b>	<b>18,684</b>

##### *Note 1: Share Placement*

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

#### **17. COMMITMENTS AND CONTINGENCIES**

##### *(a) Operating lease commitments – company 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:

	2015 \$'000	Consolidated 2014 \$'000
Within one year	-	550
After one year but not more than five years	-	2,272
More than five years	-	-
	-	2,822

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

##### *(b) Contingent Liabilities*

As at 30 June 2015, the company has commitment to provide a bond of US\$Nil (2014: US\$1.2million) relating to a customer contract.

As at 30 June 2015, the company has a contingent liability of \$Nil (2014: \$0.257 million) payable to a finance company for payments made by the finance company on behalf of the company's debtors in the event these debtors defaults on payments to the finance company.

As at 30 June 2015, the company also has a contingent liability with respect to a performance guarantee of \$212,500 (2014: \$212,500) for office premises security deposit with ANZ.

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **18. CONTROLLED ENTITIES**

Before the company went into voluntary administration, the financial statements include the financial statements of ADG Global Supply Limited and the controlled entity listed in the following table.

	Country of incorporation	% Equity interest	
		2015	2014
ADG Global Supply Pty Ltd	Australia	-	100
AWS (Security Holder) Pty Ltd	Australia	-	100
Rain One Pty Ltd	Australia	-	100
ADG Global Supply (Europe) Limited	United Kingdom	-	100
ADG Global Supply South Africa (Pty) Ltd	Republic of South Africa	-	100
Winchester Procurement Limited	United Kingdom	-	100

The previous deed of cross guarantee between the company and the relevant controlled entities became ineffective when the company went into voluntary administration on 6 January 2015.

#### *Voluntary Administration*

The company deconsolidated its controlled entities from the financial statements on 6 January 2015 when the company went into voluntary administration and lost control of the controlled entities.

	2015 \$'000	2014 \$'000
<b>Details of deconsolidation</b>		
Net carrying value of assets disposed	(10,953)	-
De-recognition of foreign currency translation reserve	701	-
Loss on disposal before income tax	(10,252)	-
Income tax expense	-	-
Loss on disposal after income tax	(10,252)	-

#### **19. RELATED PARTIES**

##### *Parent entity*

The parent entity is ADG Global Supply Limited. For details of the controlled entities, see note 18.

##### *Key management personnel*

Disclosure relating to key management personnel are set out in the remuneration report in the directors' report and note 22.

##### *Transactions with related parties*

There were no related party transactions other than \$11,000 in the prior year with Minc Group Pty Ltd for legal services provided to the company at arms' length and normal commercial terms. The director, John Mancini, is related to the director of Minc Group Pty Ltd.

##### *Related party balances*

Amount owing to Sharecorp Pty Ltd, an entity in which David Schwartz has a beneficial interest amounted to \$52,000 as at 30 June 2015 (2014: \$26,000).

Amount owing to Seaspin Pty Ltd, an entity in which Charles Morgan has a beneficial interest amounted to \$30,000 as at 30 June 2015 (2014: \$15,000).

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **20. EVENTS AFTER THE REPORTING DATE**

At a meeting of creditors held on 24 September 2015, creditors resolved to approve a variation to the DOCA put forward by Ostana Capital and executed on 3 March 2015. The variation deed was subsequently executed on 25 September 2015.

Other than the above, there are no matters or circumstances that have arisen since the end of the year ended 30 June 2015 which have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial reporting periods.

#### **21. AUDITORS' REMUNERATION**

	2015 \$'000	Consolidated 2014 \$'000
Amounts received or due and receivable by the current auditor, RSM for:		
• an audit or review of the financial report	37	63
• other services		17
- tax compliance	-	
	37	80
Amounts received or due and receivable by a network firm of RSM for:		
• an audit or review of the financial report	-	26
• other services		4
- tax compliance	-	
	-	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 2015.

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

	2015 \$'000	2014 \$'000
Short-term employee benefits	285	533
Post-employment benefits	13	42
Share-based payments	-	29
	298	604



## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **23. CASH FLOW INFORMATION**

Reconciliation of net loss after tax to the net cash flows from operations	CONSOLIDATED	
	30 June 2015 \$'000	30 June 2014 \$'000
Net loss after taxation	(10,640)	(18,009)
<b>ADJUSTMENTS FOR:</b>		
Depreciation and amortisation	172	408
Options Valuation Expense	(33)	16
Loss on disposal of controlled entities	10,252	-
Impairment of assets	-	7,818
Inventory provision	-	3,901
Bad debt write off		1,733
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Inventories	(1,677)	230
Trade and other receivables	(1,334)	3,063
Other assets	141	(111)
Deferred tax assets and liabilities	(16)	584
Tax provision	-	232
Trade and other payables	3,147	(1,709)
Provisions	(33)	(154)
<b>Net cash flows used in operating activities</b>	<b>(21)</b>	<b>(1,998)</b>

## **NOTES TO FINANCIAL REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2015**

#### **24. 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	
	2015	2014
	\$'000	\$'000
Net loss attributable to ordinary shareholders for basic loss per share	(10,640)	(18,009)
Effect of dilutive equity instruments	-	-
Net loss attributable to ordinary shareholders for diluted loss per share	(10,640)	(18,009)

	Number of shares	Number of shares
Weighted average number of ordinary shares for basic loss per share	316,456,218	295,061,097
Effect of dilution:	-	-
Adjusted weighted average number of ordinary shares for diluted loss per share	316,456,218	295,061,697

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 2015 was 316,456,218 (2014: 316,456,218).

# FINANCIAL REPORT

for the year ended 30 June 2015

---

## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- subject to the achievement of the matters described in Note 1, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

  
Signature

30 October 2015  
Date

Signed for and behalf of ADG Global Supply Limited (subject to Deed of Company Arrangement) (ACN 082 341 197) by its appointed deed administrator Simon Guy Theobald.

**RSM Australia Partners**

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100  
F +61 (0) 8 9261 9111

[www.rsm.com.au](http://www.rsm.com.au)

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
ADG GLOBAL SUPPLY LIMITED (SUBJECT TO A DEED OF COMPANY ARRANGEMENT)**

**Report on the Financial Report**

We were engaged to audit the accompanying financial report of ADG Global Supply Limited (subject to a Deed of Company Arrangement), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 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 conducting the audit in accordance with Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*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 (subject to a Deed of Company Arrangement), would be in the same terms if given to the directors as at the time of this auditor's report.

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

### *Basis for Disclaimer of Opinion*

As disclosed in the notes to the financial statements, ADG Global Supply Limited (subject to a Deed of Company Arrangement) and its Australian controlled entity, ADG Global Supply Pty Ltd, were placed into voluntary administration during the year ended 30 June 2015. We were unable to obtain sufficient appropriate evidence to verify the amounts disclosed in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2015. As a result, we were unable to determine whether any adjustments to these amounts were necessary.

### *Disclaimer of Opinion*

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we were unable to, and do not express an opinion as to whether:

- (a) the financial report of ADG Global Supply Limited (subject to a Deed of Company Arrangement) is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of the consolidated entity's 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**

We draw attention to Note 1, which indicates that the consolidated entity incurred a loss of \$10.640 million and had net cash outflows from operating activities of \$0.021 million for the year ended 30 June 2015. As at that date, the company had net current liabilities and net liabilities of \$8.174 million. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

### **Report on the Remuneration Report**

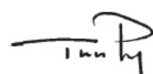
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility 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 (subject to a Deed of Company Arrangement) for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

  
RSM

RSM



TUTU PHONG  
Partner

Perth, WA  
Dated: 30 October 2015

**RSM Australia Partners**

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100  
F +61 (0) 8 9261 9111

[www.rsm.com.au](http://www.rsm.com.au)

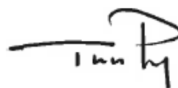
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of ADG Global Supply Limited (subject to a Deed of Company Arrangement) for the year ended 30 June 2015, 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



TUTU PHONG  
Partner

Perth, WA  
Dated: 30 October 2015

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation