



Armidale Investment

CORPORATION

ASX Company Announcements

10 October 2014

The Manager
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Riverwise Pty Limited and its controlled entities

Annual Report for the year ended 30 June 2014

Further to Listing Rules 3.1 and 4.8, please find attached the Annual Report for the year ended 30 June 2014 for Riverwise Pty Limited ("RPL")

As announced on 25 June 2014, Armidale Investment Corporation Limited (AIK) holds 29.02% of RPL shares on issue.

RPL is the sole shareholder of Leading Edge Group Limited (LEG). LEG is an Australian owned company that operates as a telecommunication distributor and buying and promotional support group for independent businesses. LEG owns and operates Telstra Business Centres in Victoria and New South Wales, retail and business distribution centres for Telecom New Zealand, and is a significant British Telecom distributor in the United Kingdom. Through its buying group activities, LEG has strong relationships with many major suppliers to retail businesses, and leverages the strength of the combined value of over 1,100 small business members. Through the buying groups, LEG draws together buying and marketing power, and uses that combined power to improve the bottom line profitability for each member group.

For further information please contact:

Andrew Grant

Executive Director

0415 166 090

David Franks

Company Secretary

02 9299 9690

Riverwise Pty Limited and its controlled entities

ABN 20 084 303 408

Financial Statements for the Year Ended 30 June 2014

Contents

	Page
Directors' report	3
Auditor's independence declaration	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statements of changes in equity	10
Consolidated statement of cash flows	12
Consolidated notes to the financial statements	13
Directors' declaration	54
Independent auditor's report	55

Directors report

For the year ended 30 June 2014

The directors present their report together with the consolidated financial statements of the Group comprising Leading Edge Group Limited (the Company) and its subsidiaries, and the Group's interest in associates for the financial year ended 30 June 2014 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the end of the financial year are:

Name and qualification	Experience, special responsibilities and directorships
William J.A. O'Reilly (BDS, Dip Law BAB, FAICD, FACLM) Non-executive Director Chairman Appointed 1 October 2013	Conjoint Associate Professor Bill O'Reilly is a general dental practitioner and has been admitted as a barrister of the Supreme Court of New South Wales. Mr O'Reilly has had extensive experience in the corporate arena including; Non-executive Director of BUPA Dental Corporation, member of the National Australia Bank Health Advisory Council and is also Chairman of Employers Mutual Limited.
David L. Mills (BA, LLB) Non-executive Director Director since 2000	Extensive legal experience.
Cameron S. McCullagh (B.Bus) Non-executive Director Director since 2010	Extensive experience in management and financial operations. Cameron is currently a Director at Employers Mutual. Cameron trained as a Chartered Accountant at KPMG and worked at Macquarie Bank and was recently Chief Operating Officer of Steadfast Group Limited.
Stephen B. Humphrys (FCA) Non-executive Director Director since 2006 (resigned 1 October 2013)	Extensive experience as a Chartered Accountant. Stephen is the Chief Financial Officer of Steadfast Group Limited.
Anthony Fleetwood (B.Com, ACA) Non-executive Director Appointed 1 October 2013	Extensive experience in financial and operational management. Anthony is currently General Manager Corporate Services for Employers Mutual Limited.
Andrew Grant (B.Bus(Hons), CMA) Executive Director Appointed 18 September 2014	Extensive experience in financial management. Andrew is an Associate Member of the Chartered Institute of Management Accountants (UK). Andrew is currently a Non-executive Director of Employers Mutual Limited, and the Chairman of EML's Audit Risk and Compliance Committee.

Directors' report (continued)

For the year ended 30 June 2014

2. Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are

Directors' Meetings		
	Number eligible to attend	Number attended
William O'Reilly	6	6
David L. Mills	8	8
Cameron S. McCullagh	8	5
Stephen B. Humphrys	2	2
Anthony Fleetwood	6	6
Andrew Grant	-	-

3. Principal activities

The principal activities of the Group during the course of the financial year were telecommunications distribution and management of membership based buying groups. There were no significant changes in the nature of the activities of the Group during the year.

4. Operating and financial review

The profit after tax of the Group for the year ended 30 June 2014 was \$1,295,000 (2013: Profit \$4,727,000). The Group continues to focus its efforts on its two key business areas: telecommunications distribution (Australia, New Zealand and the United Kingdom) and the management of membership based buying groups.

The Group holds significant expertise as an outsourced distribution channel working closely with the Group's telecommunications partners (Telstra, British Telecom and Spark New Zealand formerly known as Telecom New Zealand). This sector continues to evolve as the telecommunications partner's strategies change to meet market needs.

The buying group operations support around 1000 predominantly retail members. During 2014, the reduced cost base took effect improving profitability in this sector.

Tariff Expert Pty Limited, a small business providing cost analysis software, was disposed during the year as it was not profitable. Cash requirements for the head office and buying group operations were managed during the year with the existing invoice discounting facility and the funds received through the issue of new capital. The short term loan facility of \$2m provided by Armidale Investment Corporation was terminated on 20 May 2014.

The Group repaid the bank and other loan facilities of \$2.65m during the year whilst maintaining the invoice discounting facility which has a limit of \$30m however at the peak during the year was only drawn down to \$20.78m.

The Group has reduced overall borrowings through cash flows from operations and funds received from new capital injections during the year. On 1 December 2013 Riverwise held a rights issue at an issue price of \$5.50 per share which included provision for over-subscriptions. A total number of 594,421 shares were issued in the subscription, raising a total of \$3.3m.

Directors' report (continued)

For the year ended 30 June 2014

5. Dividends

No dividends were paid or declared by the Company to shareholders in respect of the year ended 30 June 2014 (2013: \$nil).

6. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

7. Likely developments

The Group will continue to focus on core business and leverage the group infrastructure and expertise. Operationally the focus is on cost constraint and efficiency.

8. Environmental regulation

The Group's operations are not subject to any particular or significant environmental regulations under either Commonwealth or of a State or Territory in Australia.

9. Indemnities given and insurance premiums paid in relation to auditors and officers

During the year, the Company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of the insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract. The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify any current or former officer or auditor of the Group.

10. Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

Directors' report (continued)

For the year ended 30 June 2014

11. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the financial year ended 30 June 2014.

12. Rounding off

The Group is of a kind referred to in ASIC class order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the consolidated financial statements and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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



Andrew Grant
Managing Director
Sydney
26 September 2014



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

To: the directors of Riverwise Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'M Kafer'.

Malcolm Kafer
Partner

Sydney

26 September 2014

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue	5	285,328	295,460
Other income		716	1,558
Cost of sales	6	(228,949)	(241,524)
Personnel expenses	6	(36,152)	(32,856)
Administration expenses		(8,288)	(9,986)
Occupancy expenses		(4,155)	(3,446)
Depreciation expense	8	(1,549)	(1,305)
Impairment losses on assets	6	(1,702)	(967)
Amortisation expense	9	(1,017)	(1,500)
IT expenses		(1,804)	(1,226)
Member and advertising expenses		(354)	(310)
Other Expenses		(151)	-
Results from operating activities		1,923	3,898
Finance income	7	1,898	1,298
Finance cost	7	(1,154)	(1,622)
Net finance costs		744	(324)
Share of profit of equity-accounted investees net of tax		(64)	26
Loss of disposal of subsidiaries		(260)	-
Profit/(loss) before income tax		2,343	3,600
Income tax (expense)/benefit		(1,048)	1,127
Profit/(loss) for the year		1,295	4,727
Other comprehensive income			
Foreign currency translation differences – foreign operations		596	389
Other comprehensive profit/(loss) for the year		596	389
Total comprehensive profit/(loss) for the year		1,891	5,116
Profit/(loss) attributable to:			
Owners of the Company		1,347	5,049
Non-controlling interests		(52)	(322)
Profit/(loss) for the year		1,295	4,727
Total comprehensive income attributable to:			
Owners of the Company		1,969	5,430
Non-controlling interests		(78)	(314)
Total comprehensive income		1,891	5,116

Consolidated statement of financial position

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	15	3,725	5,350
Trade and other receivables	14	42,913	46,400
Inventories	13	1,235	1,738
Prepayments		984	335
Current tax assets		996	744
Total current assets		49,853	54,567
Non-current assets			
Trade and other receivables	14	5	61
Investments in equity-accounted investees	10	643	476
Property, plant and equipment	8	3,227	3,586
Intangible assets	9	18,351	18,552
Deferred tax asset	12	233	768
Total non-current assets		22,459	23,443
Total assets		72,312	78,010
Current liabilities			
Trade and other payables	19	27,184	31,138
Loans and borrowings	17	18,203	25,413
Employee benefits	18	1,945	1,932
Current tax liability		295	267
Provisions	20	45	65
Total current liabilities		47,672	58,815
Non-current liabilities			
Loans and other borrowings	17	813	803
Employee benefits	18	606	505
Total non-current liabilities		1,419	1,308
Total liabilities		49,091	60,123
Net assets		23,221	17,887
Equity			
Share capital	16	22,401	19,131
Reserves		1,145	373
Other equity		(936)	(936)
Retained earnings/(accumulated losses)		753	(435)
Total equity attributable to owners of the Company		23,363	18,133
Non-controlling interests		(142)	(246)
Total equity		23,221	17,887

Consolidated statement of changes in equity

For year ended 30 June 2014

	Share capital \$'000	Translation reserve \$'000	Other reserve \$'000	Other equity \$'000	Retained earnings/ (accumulated losses) \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2013	19,131	373	-	(936)	(435)	18,133	(246)	17,887
Issue of ordinary shares	3,270	-	-	-	-	3,270	-	3,270
Profit share arrangement with AIK	-	-	150	-	-	150	-	150
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	1,347	(52)	1,295
Other comprehensive income	-	-	-	-	1,347	-	-	-
Foreign currency translation differences for foreign operations	-	622	-	-	-	622	(26)	596
Total comprehensive income for the year	-	622	-	-	1,347	1,969	(78)	1,891
Transactions with owners of the company, recorded directly in equity								
Contributions by and distributions to owners of the Company	-	-	-	-	-	-	-	-
Other equity contributed	-	-	-	-	-	-	58	58
Foreign currency translation differences for dividends	-	-	-	-	195	195	-	195
Total contributions by and distributions to owners of the Company	-	-	-	-	195	195	58	887
<i>Changes in ownership interests in subsidiaries</i>								
Disposal of a subsidiary with change in control	-	-	-	-	(123)	(123)	123	-
Write off on deregistration of a subsidiary	-	-	-	-	(177)	(177)	-	(177)
Prior year adjustment for income tax	-	-	-	-	(54)	(54)	-	(54)
Total changes in ownership interests in subsidiaries	-	-	-	-	(354)	(354)	123	(231)
Total transactions with owners of the Company	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	1	1
Balance at 30 June 2014	22,401	995	150	(936)	753	23,363	(142)	23,221

Consolidated statement of changes in equity (continued)

For year ended 30 June 2013

	Share capital \$'000	Translation reserve \$'000	Other equity \$'000	(Accumulated losses) \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2012	19,131	(8)	(1,385)	(5,484)	12,254	(345)	11,919
Total comprehensive income for the year							
Profit for the year	-	-	-	5,049	5,049	(322)	4,727
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	381	-	-	381	8	389
Total comprehensive income for the year	-	381	-	5,049	5,430	(314)	5,116
Transactions with owners of the company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Issue of ordinary shares	-	-	449	-	499	438	887
Total contributions by and distributions to owners of the Company	-	-	449	-	499	438	887
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without change in control	-	-	-	-	-	(25)	(25)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-	-	-	(25)	(25)
Total transactions with owners of the Company	-	381	449	5,049	5,879	99	5,978
Balance at 30 June 2013	19,131	373	(936)	(435)	18,133	(246)	17,887

Consolidated statement of cash flows

For year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers		314,563	324,347
Payments to suppliers and employees		(311,150)	(327,669)
Interest received		1,898	1,361
Income tax paid		72	(89)
Net cash provided by/(used in) operating activities	15	5,383	(2,050)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,385)	(1,341)
Acquisition of non-controlling interest		-	(25)
Acquisition of business assets		(406)	(541)
Acquisition of equity accounted investee		(48)	-
Net cash (used in) investing activities		(1,839)	(1,907)
Cash flows from financing activities			
Proceeds from issue of share capital		3,270	-
Repayment of borrowings – current		(7,210)	(9,227)
Proceeds from borrowings – non-current		10	10,711
Interest paid		(1,239)	(1,685)
Net cash (used in) financing activities		(5,169)	(201)
Net decrease in cash and cash equivalents		(1,625)	(4,158)
Cash and cash equivalence at beginning of year		5,350	9,508
Cash and cash equivalents at end of year	15	3,725	5,350

Notes to the consolidated financial statements

For the year ended 30 June 2014

1. Reporting entity

Leading Edge Group Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 2, 72 Archer St, NSW 2067. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interest in associates. The ultimate parent company is Riverwise Pty Limited, a company registered in Australia.

The Group is a for-profit entity and is primarily involved in:

- Membership based buying group services;
- Telecommunications product distribution in Australia, New Zealand and the United Kingdom; and
- IT consulting services.

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 26 September 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

2. Basis of preparation (continued)

d) Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 11 – income tax expense
- note 9 – intangible assets

e) Changes in accounting policies

i. *Presentation of transactions recognised in other comprehensive income*

From 1 July 2012 the Group applied amendments to AASB 101 presentation of financial statements outlined in AASB 2011-9 Amendments to Australian Accounting Standards – presentation of other comprehensive income. The changes have been applied retrospectively and require the Group to separately present these items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

- AASB 10 *Consolidated Financial Statements* (2011)
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 119 *Employee Benefits*

There are no material impacts as a result of the application of these standards.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

ii. Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Groups interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

iii. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

a) Basis of consolidation (continued)

iv. *Investments in associates (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted interests, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date the significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interest that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

v. *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

i. *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the closing rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary items in a foreign currency that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

b) Foreign currency (continued)

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

c) Financial instruments

i. Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date which is the date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets into the following categories: cash and cash equivalents and loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

c) Financial instruments (continued)

The Group has classified its lease receivables as finance leases for accounting purposes. Under a finance lease substantially all the risks and benefits incidental to the ownership of the leased asset are transferred by the lessor to the lessee. The Group recognises at the beginning of the lease term an asset at an amount equal to the aggregate of the present value (discounted at the interest rate implicit in the lease) of the minimum lease payments and the estimate of the value of any unguaranteed residual value expected to accrue to the benefit of the Group at the end of the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the group in the management of its short-term commitments.

Unearned interest income

Unearned interest income on leases and other receivables is brought to account over the life of the lease contract based on the interest rate implicit in the lease.

ii. Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables (excluding accruals).

iii. Share capital

Ordinary shares

Ordinary shares are classified as equity. Additional costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

d) Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

d) Property, plant and equipment (continued)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant or equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the profit or loss.

ii. Subsequent costs

Subsequent expenditure is capitalised only when it is probable and when that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated depreciation rates for the current and comparative years are as follows:

• Plant and equipment	5 – 40%
• Leasehold improvements	7.5 – 18%
• Motor vehicle	12.5 – 30%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Intangible assets and goodwill

i. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss is allocated against the carrying amount of the equity-accounted investee.

ii. Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

iii. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

iv. Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis on profit or loss over their estimated useful lives from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- | | |
|---------------------|-------------|
| • Customer list | 4 – 9 years |
| • Computer software | 3 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

g) Impairment

i. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss including an interest in an equity accounted investee is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, and economic conditions that correlate with defaults.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

Financial assets measured at amortised cost

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, and indefinite life intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

iii. Non-financial assets (continued)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Employee benefits

i. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

iii. Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Group's obligations.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

iv. Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

j) Revenue

i. Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii. Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

iii. Services and membership fees

Revenue recognition relating to the provision of services and membership related services is determined with reference to the stage of completion of the services being supplied. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

k) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

l) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

m) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

3. Significant accounting policies (continued)

iii. Tax consolidation

The Company, its parent entity, and its wholly owned Australian subsidiaries have formed a tax consolidated group with effect from 1 July 2011. The head entity within the group is Riverwise Pty Limited.

Current income tax expense/(income) and deferred tax liabilities and assets are recognised in the separate financial statements of members of the tax consolidated group using the separate taxpayer within the group approach. This approach determines the tax obligations of entities within the tax consolidated group after accounting for any consolidation adjustments.

Any current tax liabilities/(assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax consolidated group and are recognised as amounts payable/(receivable) to/(from) other entities in the tax consolidated group in conjunction with the tax funding arrangement referred to below. The difference between these amounts is recognised by the head entity as an equity injection or distribution.

iv. Tax funding arrangement

The Company, its parent entity, and its wholly owned subsidiaries have entered into a tax funding arrangement from 15 March 2013. The tax funding arrangement requires subsidiaries within the tax consolidated group to make payments/(receipts) based on the assumption of tax obligations/(deferred tax assets) by the head entity.

Contributions to fund the current tax liabilities are payable as per the terms of the tax funding arrangement and reflect the timing of the head entity's obligation to make tax payments to the relevant tax authorities

n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 (2010) and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning after January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

5. Revenue

	2014	2013
	\$'000	\$'000
Sale of goods	206,177	223,366
Commissions	51,574	46,961
Rendering of services	13,195	11,435
Membership fees	4,129	3,944
Other	10,253	9,754
Total revenue	285,328	295,460

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

6. Results from operating activities

The result from operating activities has been arrived at after accounting for the following items:

	2014	2013
	\$'000	\$'000
Impairment loss on assets	1,702	967
Cost of sales	2014	2013
	\$'000	\$'000
Sale of goods	204,304	219,605
Commissions	15,688	14,367
Rendering of services	5,881	4,525
Membership fees	1,114	1,336
Other	1,962	1,691
	228,949	241,524
Employee benefits expense	2014	2013
	\$'000	\$'000
Salaries and wages	29,875	27,485
Superannuation contributions	1,869	1,634
Increase in liability for annual leave	1,437	1,480
Increase in liability for long service leave	137	108
Other employment expenses	2,834	2,149
	36,152	32,856
7. Finance income and finance costs	2014	2013
	\$'000	\$'000
Interest income from related parties	19	23
Interest income from other parties	1,879	1,275
Finance income	1,898	1,298
Interest expenses	(1,239)	(1,685)
Net foreign exchange gain	85	63
Finance costs – other parties	(1,154)	(1,622)
Net finance costs recognised in profit or loss	744	(324)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

8. Property, plant and equipment

Cost	Plant and equipment \$'000	Leasehold \$'000	Motor Vehicle \$'000	Total \$'000
Balance at 1 July 2013	10,705	4,016	171	14,892
Additions	697	686	2	1,385
Disposals	(1,217)	(1,957)	(45)	(3,219)
Effect of movements in exchange rates	587	252	4	843
Balance at 30 June 2014	10,772	2,997	132	13,901
Balance at 1 July 2012	10,476	5,120	65	15,661
Additions	897	416	29	1,342
Disposals	(398)	(158)	(67)	(623)
Re-classification	(498)	(1,514)	142	(1,870)
Effect of movements in exchange rates	228	152	2	382
Balance at 30 June 2013	10,705	4,016	171	14,892
Depreciation and impairment losses				
Balance at 1 July 2013	8,420	2,779	107	11,306
Depreciation	873	662	14	1,549
Disposal	(685)	(1,185)	(38)	(1,908)
Effect of movements in exchange rates	297	(573)	3	(273)
Balance at 30 June 2014	8,905	1,683	86	10,674
Balance at 1 July 2012	10,025	3,115	34	13,174
Depreciation	362	922	21	1,305
Disposal	(289)	(39)	(49)	(377)
Re-classification	(1,855)	(1,326)	99	(3,082)
Effect of movements in exchange rates	177	107	2	286
Balance at 30 June 2013	8,420	2,779	107	11,306
Carrying Amounts				
At 30 June 2014	1,867	1,314	46	3,227
At 30 June 2013	2,285	1,237	64	3,586

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

9. Intangible assets

Cost	Goodwill \$'000	Customer List \$'000	Computer Software \$'000	Total \$'000
Balance at 1 July 2013	17,371	7,177	1,853	26,401
Additions	-	2	404	406
Disposals	(112)	(17)	(9)	(138)
Re-classifications	-	(82)	-	(82)
Effect of movements in exchange rates	868	127	152	1,147
Balance at 30 June 2014	18,127	7,207	2,400	27,734
Balance at 1 July 2012	18,162	9,817	1,233	29,212
Additions through business acquisition	-	8	532	540
Disposal	-	(328)	-	(328)
Re-classification	(1,310)	(2,431)	-	(3,741)
Effect of movements in exchange rates	519	111	88	718
Balance at 30 June 2013	17,371	7,177	1,853	26,401
Amortisation and impairment losses				
Balance at 1 July 2013	808	5,709	1,332	7,849
Amortisation for the year	-	905	112	1,017
Other movements	-	86	189	275
Effect of movements in exchange rates	-	118	124	242
Balance at 30 June 2014	808	6,818	1,757	9,383
Balance at 1 July 2012	995	6,633	1,074	8,702
Amortisation for the year	-	1,318	182	1,500
Other movements	(187)	(2,343)	-	(2,530)
Effect of movements in exchange rates	-	101	76	177
Balance at 30 June 2013	808	5,709	1,332	7,849
Carrying Amounts				
At 30 June 2014	17,319	389	643	18,351
At 30 June 2013	16,563	1,468	521	18,552

Amortisation and impairment charge

The amortisation of customer list and computer software is recognised in the statement of comprehensive income. The impairment loss is recognised in the impairment losses on assets in the statement of comprehensive income.

Impairment testing for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill

	2014 \$'000	2013 \$'000
Buying Group	3,618	3,730
Telecommunications – Australia	4,835	4,835
Telecommunications – New Zealand	8,866	7,998
Total	17,319	16,563

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

9. Intangible assets (continued)

Australian Operations

For Australia, the total goodwill was allocated to cash generating units, that is, the buying groups and the telecommunications business, and the impairment was tested for each cash generating unit. The recoverable amount of goodwill and customer lists are based on value in use calculations.

Telecommunications – Australia

The telecommunications intangible asset includes the goodwill on acquisition of the Telstra Business Centres and the value assigned to identified customer lists. The impairment analysis is conducted at a combined business level considering the combined carrying value of these assets.

Telecommunications uses cash flow projections for five years with a terminal value of two times the fifth year's earnings. A pre-tax discount rate of 20% (2013: 20%) has been used in discounting the projected cash flows. The cash flow projections assume no significant change in trading profitability from the actual operating results for the year ended 30 June 2014, with income and costs uplifted using a 1% annual growth factor (2013: 1-2%). The value in use calculation assumes continuation of the current telecommunication arrangements beyond the end of the current agreement. The assumption is based on the expectation that the provision of telecommunication services will not cease at the expiry of the term. The directors do not consider any reasonable changes in any key assumptions would cause impairment.

The recoverable amount of the CGU was determined to be higher than its carrying amount and therefore no impairment loss was recognised (2013: \$nil).

Buying Group

For the buying group, the value in use calculation is based on a cash flow projection over five years with a terminal value of two times the fifth year's earnings. The calculations were performed at a single CGU level for the buying group which included the business operations for computer and electronics, jewellery and entertainment. A pre-tax discount rate of 20% (2013: 20%) has been used in discounting the projected cash flows. The cash flow projections assume no significant change in trading profitability from the actual operating results for the year ended 30 June 2014, with income uplifted using a 1% annual growth factor (2013: 1%). The directors do not consider any reasonable changes in any key assumptions would cause impairment.

The recoverable amount of the CGU was determined to be higher than its carrying amount and therefore there was no impairment loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

9. Intangible assets (continued)

New Zealand Telecommunications

The telecommunications intangible asset includes the goodwill on acquisition of the New Zealand telecommunication business. The customer lists are partially amortised and will be fully amortised at June 2014. The impairment analysis is conducted at a combined business level considering the combined carrying value of these assets. Telecommunications uses cash flow projections for five years with a terminal value of two times the fifth year's earnings. A pre-tax discount rate of 20% (2013: 17.7%) has been used in discounting the projected cash flows. The cash flow projections assume no significant change in trading profitability from the actual operating results for the year ended 30 June 2014, with income and costs uplifted using a 1-2.9% annual growth factor (2013: 0%). The value in use calculation assumes continuation of the current telecommunication arrangements beyond the end of the current agreement. The assumption is based on the expectation that the provision of telecommunication services will not cease at the expiry of the term. The directors do not consider any reasonable changes in any key assumptions would cause impairment.

10. Investments in equity-accounted investees

	Note	2014 \$'000	2013 \$'000
Investment in Associates			
Merchandise Management Centre Pty Limited	i	596	476
Unified Business Solutions Limited	ii	47	-
Balance at 30 June		643	476

i. Merchandise Management Centre Pty Limited (MMC):

	2014 \$'000	2013 \$'000
Balance at 1 July	476	450
Share of associate's profit for the year	120	26
Balance at 30 June	596	476
Share of associate's profit before tax	170	38
Share of associate's income tax	(50)	(12)
Share of associate's profit after income tax	120	26

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

10. Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted investees, not adjusted for the percentage ownership held by the Group:

	Ownership	Total assets \$'000	Total liabilities \$'000	Net assets \$'000	Income \$'000	Expenses \$'000	Profit \$'000
2014							
Unlisted: Merchandise Management Centre Pty Limited	50%	2,516	(1,327)	1,189	4,166	(3,926)	240
2013							
Unlisted: Merchandise Management Centre Pty Limited	50%	2,062	(1,112)	950	3,220	(3,168)	52

Merchandise Management Centre Pty Limited is incorporated in Australia and is primarily involved in jewellery distribution.

ii. Unified Business Solutions Limited

Unified Business Solutions Limited is an associate of Leading Edge Communications NZ Limited with 35% ownership and Leading Edge Communications NZ Limited is a fully owned subsidiary of Leading Edge Group Limited. The carrying value of the investment is \$47,000 as at 30 June 2014.

11. Income tax expense

Income tax recognised in profit and loss

Current tax expense

	2014 \$'000	2013 \$'000
Current year	3,518	3,919
Adjustment for prior years	(258)	(2,382)
Current tax expense	3,260	1,537

Deferred tax expense

	2014 \$'000	2013 \$'000
Origination and reversal of temporary differences	2,212	(2,664)
Total income tax expense/ (benefit)	1,048	(1,127)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

11. Income tax expense (continued)

Income tax recognised in profit and loss (continued)

Numerical reconciliation between tax expense and pre-tax accounting profit

	2014	2013
	\$'000	\$'000
Profit for the year	2,343	4,727
Total income tax (expense)/benefit	(1,048)	(1,127)
Profit/(loss) excluding income tax	1,295	3,600
Income tax using the Group's statutory income tax rate	703	1,081
Non-deductable expenses	356	497
Current year losses for which no deferred tax asset was recognised	(12)	30
Effect of foreign jurisdiction	(90)	-
Other items (net)	(44)	(180)
Under provided in prior years	135	(2,555)
Total income tax (expense)/benefit	1,048	1,127

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities – Current

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Provisions	963	744	-	392	963	352
Related party receivables	27	-	-	-	27	-
Tax losses	6	-	-	-	6	-
Tax assets	996	744	-	392	996	352

Recognised deferred tax assets and liabilities – non current

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Provisions	195	294	4	-	191	294
Operating lease	74	866	36	-	38	866
Other items	4	-	-	392	4	(392)
Tax assets	273	1,160	40	392	233	768

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

12. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

	Balance 1 July 2013	Recognised in profit and loss	Balance 30 June 2014
	\$	\$	\$
Provisions	1,038	116	1,154
Operating lease	474	(436)	38
Tax losses	-	31	31
Other items	-	6	6
	1,512	(283)	1,229

	Balance 1 July 2012	Recognised in profit and loss	Balance 30 June 2013
	\$	\$	\$
Provisions	842	196	1,038
Operating lease	519	(45)	474
Other items	171	(171)	-
	1,532	(20)	1,512

13. Inventories

<i>In thousands of AUD</i>	2014	2013
	\$'000	\$'000
Stock on hand	1,244	1,752
Provision for impairment of inventories	(9)	(14)
	1,235	1,738

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

14. Trade and other receivables

	2014 \$'000	2013 \$'000
Current		
Trade receivables	38,749	42,730
Finance lease receivables	280	845
Allowance for impairment loss on receivables	(766)	(629)
Other receivables	4,227	3,049
Amounts receivable from associate	423	405
	42,913	46,400
Non-current		
Finance lease receivables	5	61

Finance lease receivables

Finance leases of the Group are receivables as follows:

	Gross investment in leases 2014 \$'000	Unearned finance income 2014 \$'000	Present value of minimum lease payments receivables 2014 \$'000
2014			
Less than one year	342	62	280
Between one and five years	15	10	5
Greater than 5 years	-	-	-
Total finance lease receivables	357	72	285
2013	\$'000	\$'000	\$'000
Less than one year	1,174	328	845
Between one and five years	132	72	61
Greater than 5 years	-	-	-
Total finance lease receivables	1,306	400	906

Unguaranteed residual values of finance leases accruing to the benefit of the Group are \$60,700 (2013: \$99,000). Allowance for uncollectible minimum lease payments is \$7,900 (2013: \$38,000).

The wholly-owned consumer rental company Retailease Pty Limited ceased to write new business from March 2011 and is collecting on the existing lease book only.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables, is disclosed in note 21.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

15. Cash and cash equivalents

	2014	2013
	\$'000	\$'000
Cash at bank and in hand	2,547	4,222
Short term bank deposits	1,178	1,128
Cash and cash equivalents in the statement of cash flows	3,725	5,350

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 21.

Reconciliation of cash flows from operating activities

	2014	2013
	\$'000	\$'000
Profit/(loss) for the year	1,295	4,727
Adjustments for:		
Depreciation	1,549	1,305
Amortisation of intangible assets	1,017	1,500
Impairment losses on receivables	1,702	965
Loss on sale of property, plant and equipment	1,506	575
Other non cash expense	96	-
Share of profit (loss) of equity-accounted investees	64	(26)
Income tax (benefit)/expense	1,048	(1,127)
Change in trade and other receivables	(85)	(2,373)
Change in inventories	503	230
Change in prepayments	(649)	45
Change in trade and other payables	(3,954)	(8,761)
Change in provisions and employee benefits	(20)	(706)
Interest paid	1,239	1,685
Income tax paid	72	(89)
Net cash provided(used in) operating activities	5,383	(2,050)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

16. Capital and reserves

Share capital

	2014	2013
	\$'000	\$'000
On issue at 1 July	19,131	19,131
Shares issued	3,270	-
On issue at 30 June	22,401	19,131

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other equity

The other equity comprises the amounts paid to the Company where there is no contracted obligation to deliver cash. Any return on other equity will be through dividends or capital returns.

Dividends

No dividends were paid or declared by the Company to shareholders in respect of the year ended 30 June 2014.

Dividend franking account	2014	2013
	\$'000	\$'000
The amount of franking credits available to shareholders for subsequent financial years	6,296	5,708

The ability to utilize the franking credits is dependent upon the ability to declare dividends in accordance with tax consolidation legislation, the company as the head entity in the tax-consolidated group has assumed the benefit of \$6,296 thousand (2013: \$5,708 thousand) franking credits.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

17. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see note 21.

	2014	2013
	\$'000	\$'000
Current		
Secured bank facilities	18,203	23,063
Short term unsecured	-	2,350
	18,203	25,413
Non-current		
Secured bank facilities	813	803
Total non-current loans and borrowings	813	803

The invoice discounting facility is primarily secured by registered fixed and floating charges over the assets and undertakings of the Group (limited to the Australian entities only). Covenants imposed by the bank require the Company to maintain an interest cover ratio greater than 2 times, normalised EBITDA of \$7m p.a., and a gearing ratio of 15% for FY15, and 17.5% for FY16 and onwards.

The invoice discounting facility for the Group has been classified as a current liability. The facility commenced in August 2008 and is audited by the bank three times a year and subject to annual reviews confirming compliance with banking covenants as disclosed above. The facility is used to fund working capital requirements relating to the central billing facility of the buying group operations. The invoice discounting facility is at a net interest rate of 5.97% (2013: 7.20%). Bank borrowings in New Zealand comprise a flexible credit facility of \$2,787,845 at a rate of 4.75% and a term facility of \$1,184,834 at a rate of 5.75%. The New Zealand debt is secured by a guarantee and indemnity of the obligations of Leading Edge Communications NZ Limited (LEC) a cross guarantee and indemnity between Leading Edge Telecoms NZ Limited (LET), and registered first ranking general security agreements over the property of LEC and LET.

Financing facilities

	2014	2013
	\$'000	\$'000
Facilities available		
Invoice discounting	30,000	30,000
Loan facilities	3,973	5,527
	33,973	35,527
Facilities utilised at reporting date		
Invoice discounting	16,530	21,352
Loan facilities	2,486	4,864
	19,016	26,216
Facilities not utilised at reporting date		
Invoice discount	13,470	8,648
Loan facilities	1,487	663
	14,957	9,311

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

18. Employee benefits

	2014 \$'000	2013 \$'000
Current		
Salaries and wages accrued	139	153
Liability for annual leave	1,806	1,779
	1,945	1,932
Non-Current		
Liability for long service leave	606	505
	606	505

19. Trade and other payables

	2014 \$'000	2013 \$'000
Current		
Trade payables	21,878	24,275
Other payables and accrued expenses	5,306	6,863
	27,184	31,138

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 21.

20. Provisions

	Cancelled Orders \$'000	Protection Plan \$'000	Total \$'000
2014			
Balance at 1 July 2013	56	9	65
Provisions made during the year	80	4	84
Provisions used during the year	(97)	(7)	(104)
Balance at 30 June 2014	39	6	45
2013			
Balance at 1 July 2012	135	53	188
Provisions made during the year	42	-	42
Provisions used during the year	(121)	(44)	(165)
Balance at 30 June 2013	56	9	65

Leave provisions

	Annual leave provision \$'000	Long service leave provision \$'000	Total \$'000
2014			
Balance at 1 July 2013	1,779	505	2,284
Provision made during the year	1,779	148	1,927
Provisions used during the year	(1,752)	(47)	(1,799)
Balance at 30 June 2014	1,806	606	2,412

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

21. Financial risk management and financial instruments

Overview

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Management of credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. The Group limits its exposure to credit risk on cash and cash equivalents by only investing in current and deposit accounts with independently credit - related Australian standardised financial institutions. These are generally held on short terms (less than three months) to ensure funds are immediately accessible for operating and investing needs.

Credit risk is mitigated by an annually renewable debtor insurance policy over the majority of the buying group debtors.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

21. Financial risk management and financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group. The maximum exposure to credit risk at the reporting date was:

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	3,725	5,350
Trade and other receivables	42,918	46,461
	46,643	51,811

On a geographical basis, the Group has significant credit risk exposures in Australia and New Zealand given the substantial operations in those regions. The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	2014	2013
	\$'000	\$'000
Australia	37,546	41,274
New Zealand	4,511	3,941
United Kingdom	861	1,246
	42,918	46,461

Impairment losses

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The ageing of trade and other receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2014	2014	2013	2013
	\$'000	\$'000	\$'000	\$'000
Neither past due nor impaired	23,634	(8)	37,122	(3)
Past due 0-30 days	9,552	(5)	3,152	(51)
Past due 31-120 days	6,266	(66)	2,162	(49)
Past due 121 days to 1 year	3,505	(47)	3,906	(134)
More than one year	727	(640)	748	(392)
	43,684	(766)	47,090	(629)

The Group does not hold any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

21. Financial risk management and financial instruments (continued)

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	2014 \$'000	2013 \$'000
Balance at 1 July	629	541
Impairment loss recognised	1,686	805
Amounts written off	(1,549)	(717)
Balance at 30 June	766	629

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables not past due.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2014

	Carrying amount \$'000	Contractual cash flows \$'000	12 mths or less \$'000	1-5 years \$'000	More than 5 years \$'000
Non-derivative financial liabilities					
Secured bank loans	19,016	19,016	18,203	813	-
Trade and other payables	27,184	27,184	27,184	-	-
	46,200	46,200	45,387	813	-

30 June 2013

	Carrying amount \$'000	Contractual cash flows \$'000	12 mths or less \$'000	1-5 years \$'000	More than 5 years \$'000
Non-derivative financial liabilities					
Secured bank loans	23,866	23,866	22,194	1,672	-
Trade and other payables	31,138	31,138	31,138	-	-
	55,004	55,004	53,332	1,672	-

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

21. Financial risk management and financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Management of currency risk

The Group has no material exposure to currency risk as all material transactions are denominated in the functional currency of each Group entity.

Interest rate risk

Management of interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

Profile of interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments were:

	Carrying amount	
	2014	2013
	\$'000	\$'000
Fixed rate instruments		
Lease receivables	285	906
Variable rate instruments		
Cash and cash equivalents	3,725	5,345
Secured bank loans	(19,016)	(23,866)
	(15,291)	(18,521)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by \$41,326 (2013: \$53,379). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

21. Financial risk management and financial instruments (continued)

Fair values versus carrying amounts

As at the reporting date, the carrying value of financial assets and liabilities as at the end of the financial year are considered to approximate their fair value.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the financial statement of financial position are as follows.

	Note	Loans and Receivables	Other financial liabilities	Total carrying amount	Fair value
Cash and cash equivalents	15	3,725	-	3,725	3,725
Trade and other receivables	14	42,918	-	42,918	42,918
		46,643	-	46,643	46,643
Trade and other payables	19	-	27,184	27,184	27,184
Loans and borrowings	17	-	19,016	19,016	19,016
		-	46,200	46,200	46,200

22. Capital management

While the Group's goals and objectives are subject to external circumstances and environment, the principles of capital management of the Group are as follows:

- maintaining sufficient equity to meet the Group's obligations, viability and allow financing of new growth opportunities; and
- generating sufficient profits to provide dividends on a sustainable basis.

During the year the Group has made substantial advances, as outlined in note 4 in the Directors' report, to reduce the overall debt exposure of the business, whilst focusing on improving profitability.

Capital consists of ordinary shares, other equity, retained earnings and non-controlling interests of the Group.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

These actions have allowed the business to continue operations as a going concern and to continue to work under the current banking arrangements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

22. Capital management (continued)

The Group's net debt to equity ratio at the reporting date was as follows:

	\$'000	\$'000
Total liabilities	49,091	60,123
Less: cash and cash equivalents	3,725	5,350
Net debt	45,366	54,773
 Total equity	 23,221	 17,887
Net debt to equity ratio at 30 June	1.96	3.06

There were no changes in the Group's approach to capital management during the year.

23. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
	\$'000	\$'000
Less than one year	2,994	2,214
Between one and five years	3,901	3,111
More than five years	1,668	292
	8,563	5,617

During the year an amount of \$2,935,650 was recognised as an expense in profit or loss in respect of operating leases (2013: \$2,841,000).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

24. Contingent assets and contingent liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent liabilities

Leading Edge Telecoms NZ Limited has a contingent liability in favour of ANZ Bank New Zealand Limited in respect of a cross guarantee and indemnity between Leading Edge Telecoms NZ Limited and Leading Edge Communications NZ Limited whereby the instrument acts as security for the secured creditors for Leading Edge Telecoms NZ Limited. This funding agreement sits in the name of Leading Edge Communication NZ Limited, all of the assets and liabilities of the business reside in this entity. The amount is limited to the extent of any indebtedness of Leading Edge Communications NZ Limited to the bank at any point in time. ANZ Bank NZ Limited also holds a registered first ranking General Security Agreement over all the present and after acquired property of Leading Edge Telecoms NZ Limited.

Related party guarantees provided by the parent entity

	2014 \$'000	2013 \$'000
The parent holds Bank Guarantees for the leases on Leading Edge Music Group Pty Limited and TBC Group Pty Limited as bank guarantees under the parent entity	784	784
The parent has provided a letter of support to certain subsidiaries that confirms that the intercompany loans will not be repayable for at least the period to the date the next financial reports are signed	3,820	15,086

25. Related parties

Directors and key management personnel

William J.A. O'Reilly	Director – Non-executive, Chairman (appointed 1 October 2013)
David L. Mills	Director – Non-executive
Cameron S. McCullagh	Director – Non-executive
Stephen B. Humphrys	Director – Non-executive (resigned 1 October 2013)
Anthony Fleetwood	Director – Non-executive (appointed 1 October 2013)
Andrew J. Grant	Managing Director*
Raylee C. Carruthers	Global Chief Executive Officer*
Geoff De Graaff	Chief Executive Officer – Telecommunications
Graham Dear	Chief Executive Officer – Buying Group

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

25. Related parties (continued)

Key management personnel compensation

The key management personnel compensation comprised:

	2014	2013
	\$	\$
Short-term employee benefits	1,044,139	1,222,999
Other long-term benefits	71,302	-
Post-employment benefits	-	71,430
Termination benefits	-	78,630
	1,115,441	1,373,059

*The above key management compensation figure does not include the amounts paid to Andrew J. Grant and Raylee C. Carruthers as they are being paid according to the management agreement with the Company.

Key management personnel and director transactions

Key management personnel, or their related parties, hold positions in other entities that result in them having control over the financial or operating policies of these entities.

One of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control as follows:

	Transaction value		Balance outstanding	
	2014	2013	2014	2013
	\$	\$	\$	\$
David L. Mills	-	287,208	-	-

A firm in which David L. Mills is a partner, rendered legal services to the Company during the year. The total of directors fees, secretary fees and legal retainer paid in respect of David's services in this total is \$57,513 (2013: \$ 172,00) which is also included in key management personnel remuneration above.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

25. Related parties (continued)

Other related party transactions

	Note	Transaction value 2014 \$	2013 \$
Associate - Merchandise Management Centre Pty Limited - purchase of goods and rendering of services by Riverwise		4,187,279	3,103,577
Related party - Hal Data Services Pty Limited - management and accounts staff and lease management provided to Riverwise		640,983	169,301
Ultimate parent - Armidale Investment Corporation Limited - management and accounts staff and lease management provided to Riverwise	i	367,182	349,000
		Balance outstanding	Receivable/(payable)
		2014	2013
		\$	\$
Associate - Merchandise Management Centre Pty Limited - purchase of goods and rendering of services by Riverwise	ii	(248,433)	(291,880)
Associate - Merchandise Management Centre Pty Limited - loan from Riverwise	ii	280,000	280,000
Associate - Merchandise Management Centre Pty Limited - loan from Riverwise - current account	ii	136,644	125,724
Related party - Hal Data Services Pty Limited - management and accounts staff and lease management provided to Riverwise		(3,000)	(104,726)
Related party - Number Rentals Pty Limited (a wholly owned subsidiary of Hal Data Services Pty Limited) - loan to Number Rentals Pty Limited		1,165,000	-

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

25. Related parties (continued)

Other related party transactions (continued)

- i. Armidale Investments Corporation Limited (AIK), a company listed on the Australia Stock Exchange (ASX) holds a 29.02% (2013: 22.68%) interest in the shares of Riverwise Pty Limited, LEG's parent company, as at 30 June 2014. Andrew Grant and Raylee Carruthers are also key management personnel of AIK. Via AIK's subsidiary, Hal Data Services Pty Ltd, the AIK Group provides various management and accounting services to Riverwise. These are at cost or on an arm's length basis.
- ii. LEG's receivable from Merchandise Management Centre Pty Limited (MMC) is priced on an arm's length basis and is settled in cash on a monthly basis. None of the balance is secured.

In addition LEG has provided a \$280,000 loan to MMC. Interest of 8.5% (2013: 8%) was charged during the year. Interest income for the LEG is \$18,760 (2013: \$22,400). Loans are subject to an agreement between the shareholders. The two shareholders, Charisma Gold Pty Ltd and Leading Edge Group Limited have a charge over the assets of Merchandise Management Centre Pty Limited.

On 1 December 2013 Riverwise conducted a rights issue at an issue price of \$5.50 per share which included provision for over-subscriptions. A total number of 594,421 shares were issued in the subscription, raising a total of \$3,269,315.50. Armidale Investment Corporation Limited (AIK) participated in the offer, increasing its shareholding from 22.68% to 28.00%. AIK purchased additional shares from existing shareholders to increase ownership to 29.02% as of 30 June 2014.

During the financial year, the Chief Executive Officer and Chief Financial Officer of AIK continued to jointly manage LEG. In accordance with an agreement between the company and AIK, which concludes 30 June 2018, these services are charged at \$380,000 per annum. In May 2014, this agreement was varied such that \$315,000 will be paid directly to AIK and \$65,000 will be paid directly to Raylee Carruthers. In addition, under the original agreement, the company pays an incentive to AIK based on profit of LEG. The incentive is payable to AIK as long as the CFO and CEO remain employed by AIK and continue to manage LEG. The incentive is payable by the issue of additional equity in Riverwise to AIK. For the year ended 30 June 2014, this is estimated to be \$125,000 or 17,385 Riverwise shares at the set issue price under the agreement of \$7.19 per share such price remaining for the life of the agreement. The exact incentive will be determined upon finalisation of the 30 June 2014 Riverwise financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

25. Related parties (continued)

Related party loan transactions

On 20 May 2014, Leading Edge Group terminated the loan agreement with AIK and all of the advances and interest pursuant to the agreement have been fully paid by Leading Edge Group and no further monies are outstanding.

On 20 May 2014, Leading Edge Group terminated the loan agreement with Geoff De Graff and all of the advances and interest pursuant to the agreement have been fully paid by Leading Edge Group and no further monies are outstanding.

Related party rent transactions

TBC Group Pty Ltd has rented premises belonging to Geoff De Graff and the total rent amount paid for 2014 was \$117,898. The leases will expire on 30 June 2015.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

26. Group entities

	Country of incorporation	Ownership interest	
		2014 %	2013 %
Parent entity			
Riverwise Pty Limited			
Significant subsidiaries/associates			
Leading Edge Group Limited	Australia	100	100
Leading Edge Telecoms Group Pty Limited	Australia	100	100
Leading Edge Computers Pty Limited**	Australia	100	100
Tech Edge Solutions Pty Limited**	Australia	100	100
Leading Edge Member Benefits Pty Limited**	Australia	100	100
Leading Edge Pets Pty Limited**	Australia	100	100
Leading Edge Technology Pty Limited**	Australia	100	100
Creditec Pty Limited**	Australia	100	100
Leading Edge Telecoms NZ Limited	New Zealand	100	100
Leading Edge Communications NZ Limited	New Zealand	100	100
Retailase Pty Limited	Australia	100	100
Leading Edge Music Retail Pty Limited**	Australia	100	100
Leading Edge Group (UK) Limited	United Kingdom	90	90
Computer Care Australia Pty Limited	Australia	100	100
Leading Edge Licensors Pty Limited**	Australia	100	100
Leading Edge Music Group Limited	Australia	51	51
The Edge Distribution Pty Limited	Australia	51	51
TBC Group Pty Limited	Australia	100	100
One Stop Electronics Pty Limited**	Australia	100	100
Information Based Sales and Marketing Australia Limited***	Australia	100	100
Leading Edge Group (NZ) Limited	New Zealand	100	100
Leading Edge Auto Electrical Group Pty Limited**	Australia	100	100
Databox International Pty Limited	Australia	100	100
Infovault Pty Limited**	Australia	100	100
Tariff Expert Pty Limited****	Australia	-	80
Emsquared Australia Pty Limited*	Australia	100	100
Unified Business Solutions (UBS)##	New Zealand	50	-
LE UBS Limited#	New Zealand	75	-
Merchandise Management Centre Pty Ltd	Australia	50	50

* Subsidiaries which have ceased trading during the year ended 30 June 2014.

** Subsidiaries which have not traded during the years ended 30 June 2014 and 30 June 2013.

*** This entity was deregistered on 14 August 2013. The application for deregistration was prepared and filed with ASIC on 27 May 2013.

**** This entity was disposed on 24 February 2014 with a loss of \$435,346 to the consolidated profit and loss.

LE UBS is a subsidiary of Leading Edge Communications NZ Limited.

UBS is a joint venture of Leading Edge Communications NZ Limited.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

27. Parent entity disclosure

As at, and throughout, the financial year ending 30 June 2014 the parent entity of the Group was Riverwise Pty Limited.

	2014 \$'000	2013 \$'000
Result of parent entity		
Profit for the current period	54	1,126
Total comprehensive profit for the year	54	1,126
Financial position of parent entity at year end		
Current assets	2	5
Total assets	25,126	21,807
Current liabilities	196	201
Total liabilities	196	201
Total equity of the parent entity comprising of:		
Share capital	22,401	19,131
Retained earnings	2,529	2,475
Total equity	24,930	21,606

Tariff Expert Pty Limited was disposed on 24 February 2014 with a loss of \$435,346 to the Profit and Loss of the Group.

28. Subsequent events

There have been no events subsequent to reporting date which would have a material effect on the Group's financial statements at 30 June 2014.

29. Auditors' remuneration

	2014 \$	2013 \$
Audit Services		
Audit of financial reports		
-KPMG Australia	191,250	211,017
-KMPG New Zealand	52,951	32,007
-Seymour Taylor Audit Limited	35,192	28,248
-B C D Black & Co.	2,200	2,200
	281,593	273,472

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

29. Auditors' remuneration (continued)

	2014	2013
	\$	\$
Other Services		
Taxation and compliance services		
-KPMG Australia	-	102,983
-Seymour Taylor Audit Limited	-	10,961
-KPMG New Zealand	5,065	2,000
-B C D Clack & Co.	3,645	-
	8,710	115,944

Directors' Declaration

In the opinion of the Directors of Leading Edge Group Limited:

1. The consolidated financial statements and notes of Leading Edge Group Limited are in accordance with the Corporations Act 2001, including:
 - a. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. Giving a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date; and
2. There are reasonable grounds to believe that Leading Edge Group Limited will be able to pay its debts as and when they become due and payable.
3. The consolidated financial statements comply with International Financial Reporting Standards, as disclosed in note 2 to the financial statements.

Signed in accordance with a resolution of the Directors.



Managing Director
Andrew Grant
Sydney
26 September 2014



Independent auditor's report to the members of Riverwise Pty Limited

Report on the financial report

We have audited the accompanying financial report of Riverwise Pty Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

KPMG

Malcolm Kafer
Partner

Sydney

26 September 2014