



# **Armidale Investment**

C O R P O R A T I O N

## **ASX Company Announcements**

23 February 2016

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 2015**

Further to Listing Rules 3.1 and 4.8, please find attached the Annual Report for the year ended 30 June 2015 for Riverwise Pty Limited ("RPL")

As previously announced, Armidale Investment Corporation Limited (AIK) holds 32.71% 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 950 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 Report for the Year Ended 30 June 2015

# Contents

---

	<b>Page</b>
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 statement of changes in equity	10
Consolidated statement of cash flows	12
Notes to the consolidated financial statements	13
Directors' declaration	53
Independent auditor's report	54

# Directors report

## For the year ended 30 June 2015

The directors present their report together with the consolidated financial report of the Group comprising Riverwise Pty Limited (the Company) and its subsidiaries, and the Group's interest in associates for the financial year ended 30 June 2015 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 Appointed 29 May 2000	Extensive legal experience.
Cameron S. McCullagh (B.Bus) Non-executive Director Appointed 28 April 2010	Cameron has over 30 years' experience in the finance sector, having trained as a Chartered Accountant at KPMG. Cameron was a partner at Moore Stephens Sydney and founded and grew White Outsourcing to an entity with back office administration of over \$30 billion. Cameron was CEO of Employers Mutual until 2010, having grown it from \$30 million of annual premium under management to over \$1 billion.  As COO until 2014, Cameron took operational responsibility for the successful listing on the ASX of the insurance broking accumulator Steadfast Group.
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) Non-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.
Raylee Carruthers (B. Com, CA, MBA) Non-executive Director Appointed 1 October 2015	Extensive experience in senior management and finance roles, Raylee is a Chartered Accountant as well as holding a MBA.

# Directors' report (continued)

## For the year ended 30 June 2015

### 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	10	10
David L. Mills	10	10
Cameron S. McCullagh	10	9
Anthony Fleetwood	10	9
Andrew Grant	8	6
Raylee Carruthers	-	-

### 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 2015 was \$4,016,000 (2014: Profit \$1,295,000). 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 900 predominantly retail members. During 2015, the reduced cost base took effect improving profitability in this sector.

Cash requirements for the head office and buying group operations were managed during the year with the existing invoice discounting facility.

The Group maintained the invoice discounting facility which had a limit of \$30m and was reduced to \$27.5m in November 2015, at the peak during the year the facility was only drawn down to \$18.4m.

The Group has reduced overall borrowings through cash flows from operations during the year.

Computer Care Australia Pty Ltd and Databox International Pty Limited, small businesses providing IT and data services, were disposed during the year as they were not profitable.

### 5. Dividends

No dividends were paid or declared by the Company to shareholders in respect of the year ended 30 June 2015 (2014: \$nil).

## Directors' report (continued)

---

### For the year ended 30 June 2015

#### **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 significantly affect 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 the efficiency and effectiveness of its core operations. The group is also focusing increasingly on diversification as some of the traditional core revenue streams decline.

#### **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 otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability measured by such an officer or auditor.

#### **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 2015

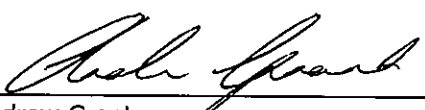
#### **11. Lead auditor's independence declaration**

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 2015.

#### **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  
**Non-Executive Director**  
Sydney  
1 October 2015



***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 2015 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

Malcolm Kafer  
*Partner*

Sydney

1 October 2015



# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Continuing operations</b>			
Revenue	5	270,222	281,774
Other income		1,733	716
Cost of sales	6	(218,032)	(227,735)
Personnel expenses	6	(34,138)	(34,477)
Administration expenses		(8,294)	(8,079)
Occupancy expenses		(3,439)	(4,027)
Depreciation expense	9	(972)	(1,430)
Impairment losses on assets	6	(2,032)	(1,702)
Amortisation expense	10	(709)	(1,017)
IT expenses		(2,140)	(1,706)
Member and advertising expenses		(288)	(353)
Other expenses		(155)	(150)
<b>Results from operating activities</b>		1,756	1,814
Finance income	8	1,634	1,896
Finance cost	8	(357)	(1,106)
<b>Net finance income</b>		1,277	790
Share of (loss) of equity-accounted investees net of tax		(251)	(64)
(Loss) on disposal of subsidiaries		-	(260)
<b>Profit before income tax</b>		2,782	2,280
Income tax expense	12	(921)	(935)
<b>Profit from continuing operations</b>		1,861	1,345
<b>Discontinued operation</b>			
Profit/(loss) from discontinued operation, net of tax	7	2,155	(50)
<b>Profit</b>		4,016	1,295
<b>Other comprehensive income</b>			
Foreign currency translation differences – foreign operations		(813)	596
<b>Other comprehensive (loss)/profit for the year</b>		(813)	596
<b>Total comprehensive profit for the year</b>		3,203	1,891
<b>Profit attributable to:</b>			
Owners of the Company		4,086	1,347
Non-controlling interests		(70)	(52)
<b>Profit for the year</b>		4,016	1,295
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		3,274	1,969
Non-controlling interests		(71)	(78)
<b>Total comprehensive income</b>		3,203	1,891

This statement should be read in conjunction with the notes to the consolidated financial statements

# Consolidated statement of financial position

As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	16	4,232	3,725
Trade and other receivables	15	39,795	42,913
Inventories	14	1,502	1,235
Prepayments		508	984
Current tax assets	13	820	1,009
<b>Total current assets</b>		<b>46,857</b>	<b>49,866</b>
<b>Non-current assets</b>			
Trade and other receivables	15	1,194	5
Investments in equity-accounted investees	11	660	643
Property, plant and equipment	9	2,792	3,227
Intangible assets	10	17,427	18,351
Deferred tax asset	13	238	220
<b>Total non-current assets</b>		<b>22,311</b>	<b>22,446</b>
<b>Total assets</b>		<b>69,168</b>	<b>72,312</b>
<b>Current liabilities</b>			
Trade and other payables	20	26,519	27,184
Loans and borrowings	18	14,998	18,203
Employee benefits	19	1,686	1,945
Current tax liability		15	295
Provisions	21	114	45
<b>Total current liabilities</b>		<b>43,332</b>	<b>47,672</b>
<b>Non-current liabilities</b>			
Loans and other borrowings	18	775	813
Employee benefits	19	604	606
<b>Total non-current liabilities</b>		<b>1,379</b>	<b>1,419</b>
<b>Total liabilities</b>		<b>44,711</b>	<b>49,091</b>
<b>Net assets</b>		<b>24,457</b>	<b>23,221</b>
<b>Equity</b>			
Share capital	17	22,526	22,401
Reserves	17	346	1,145
Other equity	17	(1,171)	(936)
Retained earnings		2,656	753
<b>Total equity attributable to owners of the Company</b>		<b>24,357</b>	<b>23,363</b>
Non-controlling interests		100	(142)
<b>Total equity</b>		<b>24,457</b>	<b>23,221</b>

This statement should be read in conjunction with the notes to the consolidated financial statements

# Consolidated statement of changes in equity

## For the year ended 30 June 2015

	Share capital \$'000	Translation reserve \$'000	Other reserve \$'000	Other equity \$'000	(Accumulated losses)/ retained earnings \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 July 2014	22,401	995	150	(936)	753	23,363	(142)	23,221
Issue of ordinary shares	-	-	-	-	-	-	-	-
Profit share arrangement with AIK	125	-	30	-	-	155	-	155
<b>Total comprehensive income for the year</b>	-	-	-	-	4,086	4,086	(70)	4,016
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	(812)	-	-	-	(812)	(1)	(813)
Foreign currency translation differences for foreign operations	-	(812)	-	-	-	(812)	(1)	(813)
<b>Total comprehensive income for the year</b>	-	(812)	-	-	4,086	3,274	(71)	3,203
<b>Transactions with owners of the company, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
Other equity contributed	-	-	-	-	-	-	-	-
Foreign currency translation differences for dividends	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners of the Company</b>	-	-	-	-	-	-	-	-
<i>Changes in ownership interests in subsidiaries</i>								
Acquisition of non-controlling interests without change in control	-	-	(17)	(235)	-	(252)	313	61
Disposal of a subsidiary with change in control	-	-	-	-	(2,183)	(2,183)	-	(2,183)
<b>Total changes in ownership interests in subsidiaries</b>	-	-	(17)	(235)	(2,183)	(2,435)	313	(2,122)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>22,526</b>	<b>183</b>	<b>163</b>	<b>(1,171)</b>	<b>2,656</b>	<b>24,357</b>	<b>100</b>	<b>24,457</b>

This statement should be read in conjunction with the notes to the consolidated financial statements

# Consolidated statement of changes in equity

## For the year ended 30 June 2014

	Share capital \$'000	Translation reserve \$'000	Other reserve \$'000	Other equity \$'000	(Accumulated losses)/ retained earnings \$'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
<b>Total comprehensive income for the year</b>	-	-	-	-	1,347	1,347	(52)	1,295
Profit for the year	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Foreign currency translation differences for foreign operations	-	622	-	-	-	622	(26)	596
<b>Total comprehensive income for the year</b>	-	622	-	-	1,347	1,969	(78)	1,891
<b>Transactions with owners of the company, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
Other equity contributed	-	-	-	-	-	-	58	58
Foreign currency translation differences for dividends	-	-	-	-	195	195	-	195
<b>Total contributions by and distributions to owners of the Company</b>	-	-	-	-	195	195	58	253
<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)
<b>Total changes in ownership interests in subsidiaries</b>	-	-	-	-	(354)	(354)	123	(231)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	-	-	-
Rounding	-	-	-	-	-	-	1	1
<b>Balance at 30 June 2014</b>	<b>22,401</b>	<b>995</b>	<b>150</b>	<b>(936)</b>	<b>753</b>	<b>23,363</b>	<b>(142)</b>	<b>23,221</b>

This statement should be read in conjunction with the notes to the consolidated financial statements

# Consolidated statement of cash flows

For year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		302,811	314,563
Payments to suppliers and employees		(298,096)	(311,150)
Interest received		1,634	1,898
Income tax paid		(370)	72
Net cash provided by operating activities	16	5,979	5,383
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(934)	(1,385)
Disposal of discontinued operation, net of cash disposed of		-	-
Proceeds from sale of other investments		124	-
Proceeds from sale of property, plant & equipment		30	-
Acquisition of business assets		(244)	(406)
Loan to equity accounted investee		(168)	-
Acquisition of equity accounted investee		(186)	(48)
Net cash (used in) investing activities		(1,378)	(1,839)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	3,270
Repayment of borrowings – current		(3,244)	(7,210)
Proceeds from borrowings – non-current		-	10
Interest paid		(850)	(1,239)
Net cash (used in) financing activities		(4,094)	(5,169)
Net increase/(decrease) in cash and cash equivalents		507	(1,625)
Cash and cash equivalents at beginning of year		3,725	5,350
Cash and cash equivalents at end of year	16	4,232	3,725

# Notes to the consolidated financial statements

---

## **1. Reporting entity**

Riverwise Pty 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 2015 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 Group is a for-profit entity and is primarily involved in:

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

## **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 1 October 2015.

### **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 2015**

## **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 12 – income tax expense
- note 10 – intangible assets

## **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*

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

# Notes to the consolidated financial statements (continued)

---

For the year ended 30 June 2015

## 3. Significant accounting policies (continued)

### a) Basis of consolidation (continued)

#### ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### iii. 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.

#### iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### v. Investments in equity-accounted investees

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

#### vi. 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.



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 3. Significant accounting policies (continued)

### 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.

#### 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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 3. Significant accounting policies (continued)

### c) Financial instruments (continued)

#### *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 debenture, trade and other receivables.

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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 3. Significant accounting policies (continued)

### 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.

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 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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 3. Significant accounting policies (continued)

### 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.

#### 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.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 3. Significant accounting policies (continued)

### g) Impairment (continued)

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.

#### *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 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 2015

## 3. Significant accounting policies (continued)

### g) Impairment (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 2015

## 3. Significant accounting policies (continued)

### h) Employee benefits(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 2015

## 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 2015

## 3. Significant accounting policies (continued)

### m) Tax (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 2015

## 4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not yet been applied in preparing these consolidated financial statements. These which may have been relevant to the Group are set out below. The Group does not plan to adopt these standards early.

### **AASB 9 Financial Instruments (2014), AASB 9 Financial Instruments (2013), 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. AASB 9 (2013) adds new requirements to address hedge accounting and AASB 9 (2014) introduces the impairment of financial assets.

AASB 9 (2013, 2010 and 2009) are effective for annual periods beginning after January 2015 with early adoption permitted. The adoption of AASB 9 is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

## 5. Revenue

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Continuing operations</b>		
Sale of goods	196,110	204,730
Commissions	49,193	51,574
Rendering of services	9,958	11,178
Membership fees	3,753	4,129
Other	11,208	10,163
<b>Total revenue</b>	<b>270,222</b>	<b>281,774</b>
<b>Discontinuing operation</b>		
Sale of goods	849	1,447
Rendering of services	1,906	2,017
Other	(38)	89
<b>Total revenue</b>	<b>2,717</b>	<b>3,553</b>

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 6. Results from operating activities

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

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Impairment losses on assets	2,032	1,702
<b>Cost of sales</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods	194,455	203,176
Commissions	16,811	15,688
Rendering of services	4,356	5,815
Membership fees	938	1,114
Other	1,472	1,942
	218,032	227,735
<b>Employee benefits expense</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and wages	28,755	28,452
Superannuation contributions	1,815	1,734
Movement in liability for annual leave	1,491	1,413
Movement in liability for long service leave	106	128
Other employment expenses	1,971	2,750
	34,138	34,477

### 7. Discontinued operation

In June 2015, the Group sold Computer Care Australia Pty Limited and Databox International Pty Limited. These entities were not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss has been restated to show the discontinued operation separately from continuing operations.

#### A. Results of discontinued operation

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	2,717	3,553
Expenses	(2,966)	(3,490)
Results from operating activities	(249)	63
Income tax	-	(113)
Results from operating activities, net of tax	(249)	(50)
Gain on sale of discontinued operation	2,404	-
Income tax on gain on sale of discontinued operation	-	-
Profit/(loss) for the year	2,155	(50)

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 7. Discontinued operation (continued)

#### B. Cash flows from (used in) discontinued operation

	2015 \$'000	2014 \$'000
Net cash used in operating activities	(204)	(53)
Net cash used in investing activities	-	(137)
<b>Net cash flow for the year</b>	<b>(204)</b>	<b>(190)</b>

#### C. Effect of Disposal on the financial position of the group

	2015 \$'000
Cash And Cash Equivalents	(40)
Trade Receivables	(213)
Intercompany loans	2,255
Inventories	(118)
Prepayments	(29)
Current Tax Assets	(40)
Property, plant and equipment	(142)
Deferred Tax Assets	(2)
Trade payables	293
Other payables and accrued expenses	792
<b>Net assets and liabilities</b>	<b>2,756</b>
Consideration received*	-
Cash and cash equivalents disposed of	-
<b>Net cash outflow</b>	<b>-</b>

\*Cash consideration was received subsequent to the year end.

### 8. Finance income and finance costs

	2015 \$'000	2014 \$'000
Interest income from related parties	250	18
Interest income from other parties	1,391	1,878
<b>Finance income</b>	<b>1,641</b>	<b>1,896</b>
Interest expenses	(850)	(1,190)
Net foreign exchange gain	486	84
<b>Finance costs – other parties</b>	<b>(364)</b>	<b>(1,106)</b>
<b>Net finance income recognised in profit or loss</b>	<b>1,277</b>	<b>790</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 9. Property, plant and equipment

	Plant and equipment \$'000	Leasehold \$'000	Motor Vehicle \$'000	Total \$'000
<b>Cost</b>				
Balance at 1 July 2014	10,772	2,997	132	13,901
Additions	653	281	-	934
Disposals	(915)	(214)	(41)	(1,170)
Effect of movements in exchange rates	(104)	(56)	(2)	(162)
Balance at 30 June 2015	10,406	3,008	89	13,503
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

### Depreciation and impairment losses

Balance at 1 July 2014	8,905	1,683	86	10,674
Depreciation	783	269	9	1,061*
Disposal	(739)	(139)	(33)	(911)
Effect of movements in exchange rates	(74)	(36)	(3)	(113)
Balance at 30 June 2015	8,875	1,777	59	10,711

\*Depreciation includes \$89k from discontinued operation

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

\*\*Depreciation includes \$119k from discontinued operation

### Carrying Amounts

At 30 June 2015	1,531	1,231	30	2,792
At 30 June 2014	1,867	1,314	46	3,227

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 10. Intangible assets

<b>Cost</b>	<b>Goodwill \$'000</b>	<b>Customer List \$'000</b>	<b>Computer Software \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2014	18,127	7,207	2,400	27,734
Additions	-	-	245	245
Disposals	(348)	-	(22)	(370)
Effect of movements in exchange rates	(418)	(21)	(95)	(534)
Balance at 30 June 2015	17,361	7,186	2,528	27,075
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
<b>Amortisation and impairment losses</b>				
Balance at 1 July 2014	808	6,818	1,757	9,383
Amortisation for the year	-	388	321	709
Disposals	(348)	-	-	(348)
Effect of movements in exchange rates	-	(20)	(76)	(96)
Balance at 30 June 2015	460	7,186	2,002	9,648
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
<b>Carrying Amounts</b>				
At 30 June 2015	16,901	-	526	17,427
At 30 June 2014	17,319	389	643	18,351

### 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 category in the statement of comprehensive income.

### Impairment testing for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Buying Group	3,618	3,618
Telecommunications – Australia	4,835	4,835
Telecommunications – New Zealand	8,448	8,866
Total	16,901	17,319

# Notes to the consolidated financial statements (continued)

---

For the year ended 30 June 2015

## 10. 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 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% (2014: 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 2015, with income and costs uplifted using a 1% annual growth factor (2014: 1%). 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 (2014: \$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% (2014: 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 2015, with income uplifted using a 1% annual growth factor (2014: 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 2015

## 10. Intangible assets (continued)

### *New Zealand Telecommunications*

The telecommunications intangible asset includes the goodwill on acquisition of the New Zealand telecommunication business. The customer lists were fully amortised at June 2015. 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% (2014: 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 2015, with income and costs uplifted using a 2.5-4.6% annual growth factor (2014: 1-2.9%). 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.

## 11. Investments in equity-accounted investees

	Note	2015 \$'000	2014 \$'000
Investment in Associates			
Merchandise Management Centre Pty Limited	i	660	596
Unified Business Solutions Limited	ii	-	47
Balance at 30 June		660	643

### *i. Merchandise Management Centre Pty Limited (MMC):*

	2015 \$'000	2014 \$'000
Balance at 1 July	595	476
Share of associate's profit for the year	65	120
Balance at 30 June	660	596
Share of associate's profit before tax	94	170
Share of associate's income tax	(29)	(50)
Share of associate's profit after income tax	65	120



# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 11. 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
<b>2015</b>							
Unlisted: Merchandise Management Centre Pty Limited	50%	2,438	(1,119)	1,319	3,984	(3,853)	131
<b>2014</b>							
Unlisted: Merchandise Management Centre Pty Limited	50%	2,516	(1,327)	1,189	4,166	(3,926)	240

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 \$nil as at 30 June 2015 (2014: \$47,000).

### 12. Income tax expense

#### Income tax recognised in profit and loss

##### Current tax expense

	2015 \$'000	2014 \$'000
Current year	2,843	3,389
Adjustment for prior years	24	(258)
Current tax expense	2,867	3,131

##### Deferred tax expense

	2015 \$'000	2014 \$'000
Origination and reversal of temporary differences	(1,946)	(2,196)
Total income tax benefit on continuing operations	921	935

Tax expense on continuing operations excludes the tax income from the discontinued operations of \$nil (2014: \$113k) and the tax expense on the gain on sale of the discontinued operation of \$nil (2014: \$0k); both of these have been included in 'profit (loss) from discontinued operation, net of tax'.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 12. Income tax expense (continued)

### Numerical reconciliation between tax expense and pre-tax accounting profit

	2015 \$'000	2014 \$'000
Profit for the year	1,861	1,345
Total income tax expense	921	935
Profit excluding income tax from continuing operations	2,782	2,280
Income tax using the Group's statutory income tax rate	(835)	(684)
Non-deductible expenses	(396)	(357)
Current year losses for which no deferred tax asset was recognised	96	12
Effect of foreign jurisdictions	61	90
Other items (net)	144	139
Under provided in prior years	9	(135)
Total income tax expense	(921)	(935)

## 13. 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Provisions	798	976	-	-	798	976
Related party receivables	22	27	-	-	22	27
Tax losses	-	6	-	-	-	6
Other	-	-	-	-	-	-
Tax assets	820	1,009	-	-	820	1,009

### Recognised deferred tax assets and liabilities – non current

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Provisions	222	182	4	4	218	178
Operating lease	-	74	-	36	-	38
PPE	18	-	-	-	18	-
Other items	2	4	-	-	2	4
Tax assets	242	260	4	40	238	220

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 13. Deferred tax assets and liabilities (continued)

#### Movement in temporary differences during the year

	Balance 1 July 2014	Recognised in profit and loss	Balance 30 June 2015
	\$'000	\$'000	\$'000
Provisions	1,154	(134)	1,020
Operating lease	101	(101)	-
Related party receivables	-	22	22
PPE	-	13	13
Other items	(32)	35	3
Tax losses	6	(6)	-
	1,229	(171)	1,058

	Balance 1 July 2013	Recognised in profit and loss	Balance 30 June 2014
	\$'000	\$'000	\$'000
Provisions	1,270	(116)	1,154
Operating lease	474	(373)	101
Other items	-	(32)	(32)
Tax losses	-	6	6
	1,744	(515)	1,229

### 14. Inventories

*In thousands of AUD*

	2015 \$'000	2014 \$'000
Stock on hand	1,511	1,244
Provision for impairment of inventories	(9)	(9)
	1,502	1,235

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 15. Trade and other receivables

	2015 \$'000	2014 \$'000
<b>Current</b>		
Trade receivables	38,432	38,749
Finance lease receivables	97	280
Allowance for impairment loss on receivables	(2,025)	(766)
Other receivables	2,866	4,227
Amounts receivable from associate	425	423
	<b>39,795</b>	<b>42,913</b>
<b>Non-current</b>		
Finance lease receivables	-	5
Other receivables	1,194	-
	<b>1,194</b>	<b>5</b>

### *Finance lease receivables*

Finance leases of the Group are receivables as follows:

	Gross investment in leases	Unearned finance income	Present value of minimum lease payments receivables
2015	\$'000	\$'000	\$'000
Less than one year	107	10	97
Between one and five years	-	-	-
Greater than five years	-	-	-
<b>Total finance lease receivables</b>	<b>107</b>	<b>10</b>	<b>97</b>
2014	\$'000	\$'000	\$'000
Less than one year	342	62	280
Between one and five years	15	10	5
Greater than five years	-	-	-
<b>Total finance lease receivables</b>	<b>357</b>	<b>72</b>	<b>285</b>

Unguaranteed residual values of finance leases accruing to the benefit of the Group are \$5,101 (2014: \$60,700). Allowance for uncollectable minimum lease payments is \$3,764 (2014: \$7,900).

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 22.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 16. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at bank and in hand	3,311	2,547
Short term bank deposits	921	1,178
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>4,232</b>	<b>3,725</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 22.

## Reconciliation of cash flows from operating activities

	2015 \$'000	2014 \$'000
Profit for the year	4,016	1,295
Adjustments for:		
Depreciation	1,061	1,549
Amortisation of intangible assets	709	1,017
Impairment losses on receivables	2,032	1,702
Disposal/Write off/ Reclassification of property, plant and equipment	251	1,506
Gain on sale of discontinued operation, net of income tax	(2,404)	-
Other non cash expense	(370)	96
Share of profit (loss) of equity-accounted investees	251	64
Income tax expense	921	1,048
Change in trade and other receivables	108	(85)
Change in inventories	(266)	503
Change in prepayments	116	(649)
Change in trade and other payables	(665)	(3,954)
Change in provisions and employee benefits	(261)	(20)
Interest paid	850	1,239
Income tax paid	(370)	72
<b>Net cash provided by operating activities</b>	<b>5,979</b>	<b>5,383</b>

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 17. Capital and reserves

#### Share capital

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
On issue at 1 July	22,401	19,131
Shares issued	125	3,270
On issue at 30 June	22,526	22,401

#### 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 2015.

#### Dividend franking account

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
The amount of franking credits available to shareholders for subsequent financial years	6,911	6,296

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 \$6,911 thousand (2014: \$6,296 thousand) franking credits.

### 18. 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 22.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Secured bank facilities	14,998	18,203
	14,998	18,203
<b>Non-current</b>		
Secured bank facilities	775	813
<b>Total non-current loans and borrowings</b>	<b>775</b>	<b>813</b>

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 18. Loans and borrowings (continued)

The invoice discounting facility is primarily secured by first registered fixed and floating charges over the assets and undertakings of the Group and the ultimate parent entity of the Group, Riverwise Pty Limited (limited to the Australian entities only). Covenants imposed by the bank require the Company to maintain an interest cover ratio greater than 2 times and a gearing ratio of 17.5% for FY16 onwards, at all times.

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 initially at a net interest rate of 4.60% (2014: 5.97%).

Bank borrowings in New Zealand comprise a flexible credit facility of \$2,656,278 at a rate of 6.34% and a term facility of \$1,128,918 at a rate of 6.77%. 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*

	2015 \$'000	2014 \$'000
<b>Facilities available</b>		
Invoice discounting	27,500	30,000
Loan facilities	3,785	3,973
	<b>31,285</b>	<b>33,973</b>
<b>Facilities utilised at reporting date</b>		
Invoice discounting	13,633	16,530
Loan facilities	2,102	2,486
	<b>15,735</b>	<b>19,016</b>
<b>Facilities not utilised at reporting date</b>		
Invoice discount	13,867	13,470
Loan facilities	1,683	1,487
	<b>15,550</b>	<b>14,957</b>

## 19. Employee benefits

	2015 \$'000	2014 \$'000
<b>Current</b>		
Salaries and wages accrued	177	139
Liability for annual leave	1,509	1,806
	<b>1,686</b>	<b>1,945</b>
<b>Non-Current</b>		
Liability for long service leave	604	606
	<b>604</b>	<b>606</b>

# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 20. Trade and other payables

	2015 \$'000	2014 \$'000
<b>Current</b>		
Trade payables	20,421	21,878
Other payables and accrued expenses	6,098	5,306
	<u>26,519</u>	<u>27,184</u>

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 22.

### 21. Provisions

	Cancelled Orders \$'000	Protection Plan \$'000	Total \$'000
<b>2015</b>			
Balance at 1 July 2014	39	6	45
Provisions made during the year	166	-	166
Provisions used during the year	(91)	(6)	(97)
Balance at 30 June 2015	<u>114</u>	<u>-</u>	<u>114</u>

	\$'000	\$'000	\$'000
<b>2014</b>			
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	<u>39</u>	<u>6</u>	<u>45</u>

	Annual leave provision \$'000	Long service leave provision \$'000	Total \$'000
<b>2015</b>			
Balance at 1 July 2014	1,806	606	2,412
Provision made during the year	1,677	428	2,105
Provisions used during the year	(1,974)	(430)	(2,404)
Balance at 30 June 2015	<u>1,509</u>	<u>604</u>	<u>2,113</u>

	\$'000	\$'000	\$'000
<b>2014</b>			
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	<u>1,806</u>	<u>606</u>	<u>2,412</u>



# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 22. 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 2015

## 22. 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:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	4,232	3,725
Trade and other receivables	40,989	42,918
	<b>45,221</b>	<b>46,643</b>

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:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	36,584	37,546
New Zealand	3,370	4,511
United Kingdom	1,035	861
	<b>40,989</b>	<b>42,918</b>

### **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:

	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Neither past due nor impaired	24,863	(198)	23,634	(8)
Past due 0-30 days	7,388	-	9,552	(5)
Past due 31-120 days	5,537	(42)	6,266	(66)
Past due 121 days to 1 year	3,681	(1,143)	3,505	(47)
More than one year	1,545	(642)	727	(640)
	<b>43,014</b>	<b>(2,025)</b>	<b>43,684</b>	<b>(766)</b>

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 2015

### 22. 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:

	2015 \$'000	2014 \$'000
Balance at 1 July	766	629
Impairment loss recognised	2,416	1,686
Amounts written off	(1,157)	(1,549)
Balance at 30 June	2,025	766

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 2015

	Carrying amount \$'000	Contractual cash flows \$'000	12 mths or less \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>					
Secured bank loans	15,773	15,773	14,998	775	-
Trade and other payables	26,519	26,519	26,519	-	-
	42,292	42,292	41,517	775	-

#### 30 June 2014

	Carrying amount \$'000	Contractual cash flows \$'000	12 mths or less \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Non-derivative financial liabilities</b>					
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	-

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 22. 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	
	2015	2014
	\$'000	\$'000
<b>Fixed rate instruments</b>		
Lease receivables	97	285
<b>Variable rate instruments</b>		
Cash and cash equivalents	4,232	3,725
Secured bank loans	(15,773)	(19,016)
	(11,541)	(15,291)

#### 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 \$39,431 (2014: \$47,540). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2014.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 22. 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	16	4,232	-	4,232	4,232
Trade and other receivables	15	40,989	-	40,989	40,989
		45,221	-	45,221	45,221
Trade and other payables	20	-	26,519	26,519	26,519
Loans and borrowings	18	-	15,773	15,773	15,773
		-	42,292	42,292	42,292

## 23. 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 2015

### 23. Capital management (continued)

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

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Total liabilities	44,711	49,091
Less: cash and cash equivalents	4,232	3,725
<b>Net debt</b>	<b>40,479</b>	<b>45,366</b>
 Total equity	 24,457	 23,221
 Net debt to equity ratio at 30 June	 1.66	 1.96

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

### 24. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Less than one year	2,361	2,435
Between one and five years	4,427	4,104
More than five years	136	243
	<b>6,924</b>	<b>6,782</b>

During the year an amount of \$2,302,119 was recognised as an expense in profit or loss in respect of operating leases (2014: \$2,935,650).

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 25. 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

	2015 \$'000	2014 \$'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
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	3,691	3,820

## 26. 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
Anthony Fleetwood	Director – Non-executive (appointed 1 October 2013)
Andrew J. Grant	Director – Non-executive (appointed 18 September 2014)*
Raylee C. Carruthers	Director – Non-executive (appointed 1 October 2015, formally Global Chief Executive Officer)*
Geoff De Graaff	Chief Executive Officer – Telecommunications
Graham Dear	Chief Executive Officer – Buying Group
Ben Stevens	Global Chief Operating Officer (appointed 1 July 2015)
Struan Abernethy	Global Chief Executive Officer (appointed 1 October 2015)

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 26. Related parties (continued)

### Key management personnel compensation

The key management personnel compensation comprised:

	2015	2014
	\$	\$
Short-term employee benefits	1,121,093	1,044,139
Other long-term benefits	82,414	71,302
Post-employment benefits	-	-
Termination benefits	-	-
	<u>1,203,507</u>	<u>1,115,441</u>

\*The above key management personnel 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:

A firm in which David L. Mills is a partner, rendered legal services to the Company last year. The total of directors fees, secretary fees and legal retainer paid in respect of David's services in this total is \$46,616 (2014: \$57,513) which is also included in key management personnel remuneration above.



# Notes to the consolidated financial statements (continued)

## For the year ended 30 June 2015

### 26. Related parties (continued)

#### Other related party transactions

	Note	Transaction value	
		2015	2014
		\$	\$
Associate - Merchandise Management Centre Pty Limited - purchase of goods by LEG		3,994,960	4,187,279
Associate - Merchandise Management Centre Pty Limited - rendering of services provided by LEG		(44,100)	(47,760)
Related party - Hal Data Services Pty Limited - management and accounts staff and lease management provided to LEG		76,633	640,983
Related party - Armidale Investment Corporation Limited - management and accounts staff and lease management provided to LEG	i	349,264	367,182
Computer Care Australia Pty Limited (post 19 June 2015) - IT services provided to LEG		16,822	-
* Refer to Note 28 for details of disposal of controlled entities Computer Care Australia Pty Limited and Databox International Pty Limited to a related party, Hal Data Services Pty Limited			
		Balance outstanding receivable/(payable)	
		2015	2014
		\$	\$
Associate - Merchandise Management Centre Pty Limited - purchase of goods and rendering of Services by Riverwise	ii	(204,760)	(248,433)
Associate - Merchandise Management Centre Pty Limited - loan from LEG	ii	280,000	280,000
Associate - Merchandise Management Centre Pty Limited - loan from LEG - current account	ii	133,253	136,644
Related party - Hal Data Services Pty Limited - management and accounts staff and lease management provided to LEG		297,000	(3,000)
Related party - Number Rentals Pty Limited (a wholly owned subsidiary of Hal Data Services Pty Limited) - loan to Number Rentals Pty Limited		1,226,604	1,165,000
Computer Care Australia Pty Limited (post 19 June 2015) - IT services provided to LEG		197,609	-

# Notes to the consolidated financial statements (continued)

---

**For the year ended 30 June 2015**

## **26. 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 32.71% (2014: 29.02%) interest in the shares of Riverwise Pty Limited, LEG's parent company, as at 30 June 2015. 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 LEG. These are at cost or on an arm's length basis.
- ii. LEG's receivable from Merchandise Management Centre Pty Limited (MMC) with the associate is priced on an arm's length basis and is settled in cash on a monthly basis. None of the balance is secured.

LEG has provided \$280,000 to MMC. Interest of 8.45% (2014: 8.5%) was charged during the year. Interest income for the LEG is \$21,840 (2014: \$18,760). 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 MMC.

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, these services are charged at \$380,000 per annum. In addition, under the original agreement, the company pays an incentive to AIK based on profit of LEG which will cease on 1 October 2015. 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 2015, this is estimated to be \$134,531 or 18,711 Riverwise shares (2014: \$124,640 or 17,335 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 2015 Riverwise financial statements.

AIK purchased additional 146,896 shares from existing shareholders to increase its ownership to 32.71% as of 30 June 2015.

### **Related party rent transactions**

TBC Group Pty Limited has rented premises belonging to Geoff De Graff and the total rent amount paid for 2015 was \$96,846 (2014: \$117,898). The leases expired on 30 June 2015.

# Notes to the consolidated financial statements (continued)

For the year ended 30 June 2015

## 27. Group entities

	Country of incorporation	Ownership interest	
		2015 %	2014 %
<b>Parent entity</b>			
Riverwise Pty Limited			
<b>Significant subsidiaries/associates</b>			
Leading Edge Telecoms Group Pty Limited	Australia	100	100
Leading Edge Computers Pty Limited**	Australia	100	100
Tech Edge Solutions Pty Limited***	Australia	-	100
Leading Edge Member Benefits Pty Limited***	Australia	-	100
Leading Edge Pets Pty Limited***	Australia	-	100
Leading Edge Technology Pty Limited**	Australia	100	100
Creditec Pty Limited***	Australia	-	100
Leading Edge Telecoms NZ Limited	New Zealand	100	100
Leading Edge Communications NZ Limited	New Zealand	100	100
Retailease Pty Limited	Australia	100	100
Leading Edge Music Retail Pty Limited ***	Australia	100	100
Leading Edge Group (UK) Limited	United Kingdom	100	90
Computer Care Australia Pty Limited*	Australia	-	100
Databox International Pty Limited*	Australia	-	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
Leading Edge Group (NZ) Limited	New Zealand	100	100
Leading Edge Auto Electrical Group Pty Limited ***	Australia	-	100
Infovault Pty Limited ****	Australia	100	100
Emsquared Australia Pty Limited**	Australia	100	100
LE UBS Limited#	New Zealand	75	75
Unified Business Solutions (UBS)##	New Zealand	37.5	37.5
Merchandise Management Centre Pty Ltd	Australia	50	50

\*These entities were disposed on 19 June 2015 to Hal Data Services Pty Limited for a consideration of \$300k in cash, the gain on disposal was \$2.4m to the consolidated Profit and Loss, which includes gain of \$3.3m arising from accumulated retained losses and losses of \$925k resulting from investment and forgiven loan.

\*\* Subsidiaries which have not traded during the years ended 30 June 2015 and 30 June 2014.

\*\*\* These entities were deregistered in 2015 financial year.

\*\*\*\* This entity was subsequently deregistered on 26 August 2015.

# 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 2015

### 28. Parent entity disclosure

As at, and throughout, the financial year ending 30 June 2015 the parent entity of the Group was Riverwise Group Limited.

	2015 \$'000	2014 \$'000
<b>Result of parent entity</b>		
(Loss)/Profit for the current period	(354)	54
Total comprehensive (loss)/profit for the year	(354)	54
<b>Financial position of parent entity at year end</b>		
Current assets	2	2
Total assets	23,999	25,126
Current liabilities	133	196
Total liabilities	133	196
<b>Total equity of the parent entity comprising of:</b>		
Share capital	22,526	22,401
Reserves	2,530	2,529
<b>Total equity</b>	<b>25,056</b>	<b>24,930</b>

Computer Care Australia Pty Limited and Databox International Pty Limited were disposed on 19 June 2015 to Hal Data Services for a consideration of \$300,000 in cash, the loss to the profit and loss of the Parent entity was \$2,403,174, which consists of investment loss of \$263,458, and remaining loss resulting from intercompany loan forgiveness

### 29. 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 2015.

### 30. Auditors' remuneration

	2015 \$	2014 \$
<b>Audit Services</b>		
Audit of financial reports		
-KPMG Australia	185,500	191,250
-KPMG New Zealand	40,720	52,951
-Seymour Taylor Audit Limited	44,373	35,192
-B C D Black & Co.	2,585	2,200
	<b>273,178</b>	<b>281,593</b>

# Notes to the consolidated financial statements (continued)

---

For the year ended 30 June 2015

## 30. Auditors' remuneration (continued)

<b>Other Services</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Taxation and compliance services		
-KPMG New Zealand	2,715	5,065
-B C D Clack & Co.	3,960	3,645
	<u>6,675</u>	<u>8,710</u>

## Directors' Declaration

---

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

1. (a) The consolidated financial statements and notes that are set out on pages 8 to 52 are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date; and
  - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) 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.
2. The directors draw attention to Note 2 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Non-Executive Director  
Andrew Grant  
Sydney  
1 October 2015

## **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 statement of financial position as at 30 June 2015, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and 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 their 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 Riverwise Pty Limited 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 2015 and of their 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

1 October 2015