Wallace Absolute Return Limited

ASX Company Announcements

14 November 2011

WAB – Riverwise reports $2.6 million net profit after tax for year to 30 June 2011

Wallace Absolute Return Limited (“**WAB**”) advises that it has received full year financial accounts from Riverwise Pty Ltd (“**RPL”**), which is the 100% owner of Leading Edge Group Limited (“LEG”). RPL therefore reports LEG’s results on a consolidated basis.

Kindly note this information is provided for background only, and WAB currently does not own shares in RPL, but has the option to (see below for details).

Background

WAB loaned on 1 September 2011 $3 million to RPL, convertible, at WAB’s election, into at least 300,000 RPL shares at a price of $10 per share (“**the RPL Loan”**). RPL has also granted WAB a put option, which allows WAB to assign 50% of the cash flows is receives under the Hal Data Services Pty Ltd (“**HDS”**) in return for RPL shares at $10 per share (“**the Put Option**”) (please refer to previous ASX announcements for the detail).

WAB is yet to determine whether it will convert the loan to shares or require repayment, nor has it determined whether to exercise the Put Option. Both the loan and Put Option have terms of six months (1 March 2012).

RPL Results

For the year ended 30 June 2011, RPL reported a net profit after tax of $2.6 million, up from $2.4 million in the prior year. Total equity in RPL was $24.9 million as at 30 June 2011, up from $15.9 million in the prior year.

The table below summarises the key components of RPL’s income:

To 30 June 2011	($m)
Revenues from operating activities	
Buying group	266.4
Telecoms	60.5
Retailing	13.4
Leasing	1.2
Other revenue	6.5
Total Revenues	348
Gross Profit	61.6
EBITDA	10.3
Net profit after tax	2.6

The principal activities of RPL during the financial year were:

- Buying group operations: The LEG buying group membership comprises the largest group of independent retailers in Australia;
- Telecom operations: The telecoms operation group includes Leading Edge Telecommunications and two recently acquired Telstra Business Centres (TBC) in Australia, Leading Edge Communications in New Zealand and UK operations, where Leading Edge operates 10 of British Telecom's (BT) 50 sales territories in an outsourced sales force capability.
- Retail outlets: LEG has been divesting or closing non-core, company-owned music and jewellery stores. These operations lost $1.6 million (pre-tax) during the 2011 financial year.

RPL has advised WAB that a restructuring plan has been agreed by the RPL & LEG Boards which targets cost savings in LEG of $3 million per annum. The LEG Board and Management also advise they are considering options to increase these cost savings.

RPL advises that the buying group operations report difficult retail trading conditions and are taking appropriate actions in response.

Attached to this announcement is a copy of both RPL and LEG accounts for reference.

HDS Update

WAB has been advised by HDS that it anticipates making a payment of $1 million to WAB under the HDS Loan Note Facility by 31 December 2011. Note this payment, if received has no effect. All other things remaining equal, this payment does not alter the net tangible asset value of WAB.

For further information please contact:

Gabriel Radzyminski
Chairman
02 8014 1188 / 0467 483 005

David Franks
Company Secretary
02 9299 9690

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

Annual Audited Accounts
for the year ended 30 June 2011

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

Directors' report

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities for the financial year ended 30 June 2011.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Buying group membership comprising the largest group of independent retailers in Australia.
- Telecommunications company in New Zealand and United Kingdom comprising of both Corporate and Retail outlets
- Telstra Business Centre
- Retail outlets in Telecommunications, Music and Jewellery
- Telecommunications call centre

The subsidiary, Leading Edge Group Limited purchased the Telstra Business Centre, the consolidated group expanded its telecommunications operations.

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

Operating Results

The consolidated profit of the consolidated group amounted to $2,959,512 (2010: $2,210,535) after providing for income tax and eliminating non-controlling equity interests. This represents a 34% increase on the results reported for the year ended 30 June 2010. The significant improvement was largely from increased sales from the telecommunications operations.

Review of Operations

A review of the operations of the consolidated group during the financial year and the results of those operations are as follows:

— Leading Edge Group Limited, which operates the buying group and central credit facility's NPBT grew from $2,540,551 (FY10) to $3,572,935 (FY11). This growth is attributal to organic growth in the Technology verticals and through returns on investments in Subsiduaries.

— The NZ entity Leading Edge Telecoms NZ Limited which owns 24 Telecom NZ retail stores, 3 Corporate outlets and represents 14 independently owned retail outlets grew in NPBT from $2,034,767 (FY10) to $2,068,804 (FY11).

— The UK entity Leading Edge UK operations for the second year showed a revenue of $3,753,283 up from it's first year operation with revenue of $1,739,662.

— The Consumer rental company called Retailease Pty Ltd ceased to write new business from March 2011 and is collecting the Lease book and retiring the associated facility. Post balance date, Leading Edge Group Limited refinanced the facility which has had a favourable impact on both the balance sheet and cashflows of the consolidated entity.

Financial Position

The net assets of the consolidated group have increased by $9,050,758 from 30 June 2010 to $24,974,978 in 2011. This increase has largely resulted from the following factors:

- positive operating performance of the group;
- capital raising; and
- business acquisitions during the year.

The consolidated group's strong financial position has enabled the Group to obtain borrowing for business acquisition, increasing its borrowings by $3,257,287. The current working capital declined because the loan by Retailease become current. The group has renegotiated the loan as at date of this report.

RIVERWISE PTY LIMITED
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Directors' report

The directors believe the group is in a strong and stable financial position to expand and grow its operations.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the parent entity that occurred during the financial year.

Dividends Paid or Recommended

A fully franked dividend of $1,079,999 (2010: $1,082,444) was paid during the year ended 30 June 2011.

After Balance Date Events

Post balance date the subsidiary, Leading Edge Group Limited re-financed the facility relating to the Lease/Rental book that is presently being collected by the Leading Edge Group Limited. The facility expires on the 30th June 2013. The Leasing company ceased writing business in March 2011. This has the effect of reducing the Current Liabilities by $4,061,184.

Wallace Absolute Limited (WAB) advanced $3 million to the company with the option to convert that amount into shares at a price of $10 per share. Riverwise also agreed to grant a put option that allows WAB to assign 50% of the cash flows it received from its subsidiary Hal Data Services Pty Ltd. If WAB is to exercise its option, the consideration would be $4.8 million (in the form of 485,700 Riverwise Redeemable Convertible Preference Shares).

No other matters or circumstances other than those disclosed above and on the accounts have arisen since the end of the financial year which has significantly affected or may significantly affect:

a) the consolidated entities operations in future financial years; or
b) the results of those operations in future financial years; or
c) the consolidated entities state of affairs in future financial years.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors

The names of directors in office at any time during or since the end of the year are:

David L. Mills	
Stephen B. Humphrys	
Gavin C. Ward	
Simon S. Allison	
Cameron S. McCullagh	Appointed 28 April 2010

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

Directors' report

Information on Directors

Cameron S. McCullagh	-	Director
Qualifications	-	Fellow, Institute of Chartered Accountants in Australia
Experience	-	Extensive experience in the financial operations of organisations, director of a number of listed companies
Special responsibilities	-	Mr. McCullagh is non-executive director - Chairman of the Board.
David L. Mills	-	Director
Qualifications	-	BALLB, Notary Public
Experience	-	Extensive legal practise.
Special responsibilities	-	Mr. Mills is Chairman of the remuneration committee and Legal committee
Gavin C. Ward	-	Executive Director
Qualifications	-	Extensive Sales, Marketing & Managerial experience through out the Australasian region
Experience	-	Involved in the development of the Group over the last 16 years.
Special responsibilities	-	Mr. Ward a CEO of the Buyer group and responsible for all its operations.
Stephen B. Humphrys	-	Director
Qualifications	-	Fellow, Institute of Chartered Accountants; Registered Tax Agent
Experience	-	Partner, Moore Stephens Sydney, Chartered Accountants
Special responsibilities	-	Chairman of the Audit Committee and member of remuneration committee.
Simon S. Allison	-	Director
Qualifications	-	BSC, B.Bus, ASA, MACID
Experience	-	Extensive experience in the financial operations of organisations, in the IT Sector, and telecommunications sector.
Special responsibilities	-	Mr Allison is CEO of the Business Services Group and oversees telecommunications globally, the finance team, Computer Care Australia.

Company Secretary
Mr. David Mills - (BALLB, Notary Public) who has extensive legal practise and has held Company Secretariats through out his career. He is also Chairman of the Remuneration Committee and Legal Committee.

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

Directors' report

Meetings of Directors

During the year, 18 Meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Committee Meetings: Audit Committee		Committee Meetings: Remuneration Committee		Committee Meetings: Legal Committee	
	No. eligible to attend	Nos. attended	No. eligible to attend	Nos. attended	No eligible to attend	Nos. attended	No eligible to attend	Nos. attended
Cameron S McCullagh	13	12						
David L Mills	13	13			1	1	2	2
Stephen B Humphrys	13	13	2	2	1	1		
Gavin C Ward	13	13						
Simon S Allison	13	13					2	2

Options

Subsequent to year end Wallace Absolute Limited (WAB) advanced $3 million to the company with the option to convert that amount into shares at a price of $10 per share. Riverwise also agreed to grant a put option that allows WAB to assign 50% of the cash flows it received from its subsidiary Hal Data Services Pty Ltd. If WAB is to exercise its option, the consideration would be $4.8 million (in the form of 485,700 Riverwise Redeemable Convertible Preference Shares).

No other options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year.

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.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 5 of the financial report.

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

....

Director

Dated this 28 day of October 2011.

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF RIVERWISE PTY LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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.

MNSA P/L

MNSA Pty Ltd

Phillip Miller
Dated this ...28....th day of ...October... 2011..
Level 2, 333 George Street Sydney 2000

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Revenue	3	348,181,837	332,612,759
Cost of sales	4	(286,572,977)	(276,859,038)
Gross profit		61,608,860	55,753,721
Member and advertising expenses		(685,525)	(3,000,713)
Occupancy expenses		(5,685,078)	(6,087,902)
Administration expenses		(7,565,028)	(6,962,267)
Employment and contract expenses		(36,369,640)	(30,428,041)
IT expenses		(974,030)	(658,649)
Share of net profits of associates and joint ventures	14b.	(32,904)	7,973
Earnings before interest, depreciation and amortisation		10,296,655	8,624,122
Interest expenses		(3,894,939)	(2,700,368)
Amortisation, depreciation and impairment		(2,405,620)	(2,557,357)
Profit before income tax		3,996,096	3,366,397
Income tax expense	5	(1,431,322)	(1,007,702)
Profit for the year		2,564,774	2,358,695
Profit attributable to:			
Members of the parent entity		2,959,512	2,210,535
Profit attributable to minority equity interest		(394,738)	148,160
		2,564,774	2,358,695
Basic earnings per share (cents per share)	9	1.55	1.58

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	**6,461,876**	3,568,334
Trade and other receivables	11	**51,881,068**	49,114,363
Inventories	12	**4,122,383**	4,761,874
Prepayment		**3,187,868**	2,674,700
TOTAL CURRENT ASSETS		**65,653,195**	60,119,271
NON-CURRENT ASSETS			
Lease receivables	11	**6,673,820**	4,532,149
Investments accounted for using the equity method	13	**296,739**	329,643
Property, plant and equipment	16	**3,883,433**	4,357,071
Deferred tax assets	20	**2,016,675**	1,584,516
Intangible assets	17	**27,321,718**	17,575,248
TOTAL NON-CURRENT ASSETS		**40,192,385**	28,378,627
TOTAL ASSETS		**105,845,580**	88,497,898
CURRENT LIABILITIES			
Trade and other payables	18	**42,823,557**	37,282,185
Financial liabilities	19	**18,380,615**	21,334,665
Current tax liabilities	20	**1,010,702**	12,505
Provisions	21	**848,014**	500,970
TOTAL CURRENT LIABILITIES		**63,062,888**	59,130,325
NON-CURRENT LIABILITIES			
Trade and other payables	18	**-**	2,089,067
Financial liabilities	19	**17,565,623**	11,354,286
Deferred tax liabilities	20	**242,091**	-
TOTAL NON-CURRENT LIABILITIES		**17,807,714**	13,443,353
TOTAL LIABILITIES		**80,870,602**	72,573,678
NET ASSETS		**24,974,978**	15,924,220
EQUITY			
Issued capital	22	**9,915,184**	1,410,159
Reserves	23	**175,260**	156,714
Retained earnings		**14,816,046**	12,936,533
Parent interest		**24,906,490**	14,503,406
Non-controlling interest		**68,488**	1,420,814
TOTAL EQUITY		**24,974,978**	15,924,220

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

Economic Entity	Note	Issued $	Reserves $	Retained earnings $	Non-controlling $
Balance as at 30 June 2009		611,807	264,661	12,692,239	1,289,588
Profit for the year				2,210,535	148,160
Beginning balance adjustment	1u.			(966,241)	81,967
Adjustments from translation of foreign controlled entities		-	(107,947)	-	-
Subtotal		611,807	156,714	13,936,533	1,519,715
Issuance of shares		798,352			
Dividends paid or provided for	8	-	-	(1,000,000)	(98,901)
Balance as at 30 JUNE 2010		1,410,159	156,714	12,936,533	1,420,814
Shares issued		**8,505,025**			
Profit for the year				**2,959,512**	**(394,738)**
Derecognition of non-controlling interest upon purchase of 8.6% of Leading Edge Group Limited			**-**		**(1,325,497)**
Recognition of minority interest					**367,909**
Adjustments from translation of foreign controlled entities		**-**	**18,546**	**-**	**-**
Subtotal		**9,915,184**	**175,260**	**15,896,045**	**68,488**
Dividends paid or provided for	**8**	**-**	**-**	**(1,079,999)**	**-**
Balance as at 30 JUNE 2011		**9,915,184**	**175,260**	**14,816,046**	**68,488**

RIVERWISE PTY LIMITED
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AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from central billing		**238,827,025**	248,198,514
Payments to suppliers and employees		**(236,771,270)**	(246,363,018)
Net cash provided by (used in) central billing		**2,055,755**	1,835,496
Receipts from members		**98,191,228**	93,473,172
Payments to employees and other suppliers		**(94,823,669)**	(94,612,651)
Interest received		**6,260,105**	4,300,273
Finance costs		**(3,894,939)**	(2,700,368)
Income tax paid		**(623,191)**	(1,668,174)
Net cash provided by (used in) operating activities	27	**7,165,289**	627,748
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,244,139)**	(1,414,579)
Purchase of business		**(8,000,000)**	-
Purchase of other non-current assets		**(1,235,490)**	(1,542,257)
Loans to subsidiaries and shareholder		**-**	-
Net cash provided by (used in) investing activities		**(10,479,629)**	(2,956,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**5,581,544**	-
Proceeds/ (Payment) from/of borrowings		**1,015,537**	(1,354,956)
Dividends paid by parent entity		**(389,199)**	(1,095,504)
Net cash provided by (used in) financing activities		**6,207,882**	(2,450,460)
Net (decrease)/increase in cash held		**2,893,542**	(4,779,548)
Cash at beginning of financial year	10	**3,568,334**	8,347,882
Cash at end of financial year	10	**6,461,876**	3,568,334

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

These consolidated financial statements and notes represents those of Riverwise Pty Limited and Controlled Entities (the 'consolidated group' or 'group')

The separate financial statements of the parent entity, Riverwise Pty Limited, have not been presented within this financial report as permitted by the Corporations Act 2011.

The financial statement were authorised for issue on .... October, 2011 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Riverwise Pty Limited at the end of the reporting period. A controlled entity is any entity over which Riverwise Pty Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 15 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

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

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

Note 1 - Summary of Significant Accounting Policies (Cont'd)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

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

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Refer to Note 15 for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

RIVERWISE PTY LIMITED
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AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

b. Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Inventories

Inventories are measured at the lower of cost and net realisable value.

d. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

Note 1 - Summary of Significant Accounting Policies (Cont'd)

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5 - 40%
Motor vehicle	31.4
Leasehold improvements	7.5 - 18%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. Financial Instruments

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

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

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

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

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

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

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. **Impairment of Assets**
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

h. **Investments in Associates**
Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are shown at Note 14.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

i. Interest in Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the group's interests are shown at Note 14.

The Group's interests in joint venture entities are recorded using the equity method of accounting (refer to Note 1(h) for details) in the consolidated financial statements.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

j. Intangibles Other than Goodwill

Trademarks

Trademarks are recognised at cost of acquisition. Trademarks has a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks are amortised over their useful life ranging from 15 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

k. Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

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Note 1 - Summary of Significant Accounting Policies (Cont'd)

Group companies
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

l. **Employee Benefits**
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

m. **Provisions**
Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

n. **Provision for Warranties**
Provision is made in respect of the consolidated group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

o. **Cash and Cash Equivalents**
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

p. **Revenue**
Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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Note 1 - Summary of Significant Accounting Policies (Cont'd)

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

q. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

s. Comparative Figures

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

t. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of goodwill at the end of the reporting period (2010 $300,000). Should the projected revenue figures be outside 90 % of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of $20,431,574.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Key judgments

(i) Provision for impairment of receivables

Included in trade receivables at the end of the reporting period is an amount receivable from sales made to Das Systems PL during the current financial year amounting to $43,746. Das Systems PL went into liquidation in 17th Jan 2011. While there is inherent uncertainty in relation to the outcome of the liquidation, the directors understand that the full amount of the debt is likely to be recoverable from the Insurers, and therefore no provision for impairment has been made.

u. **Beginning balance adjustment**

The consolidated group has consolidated Leading Edge UK Limited for the first time in the current year. Leading Edge UK Limited was previously accounted as investment during the years ended 30 June 2009 and 30 June 2008 when the company was being brought to operation. The adjustment is to reflect Leading Edge UK Limited's operating income and expenses previously not brought to account in the prior periods.

The Leading Edge UK Limited has the following operating income and expenses.

	2009	2008
Revenue	27,453	26,281
Cost of sales	803	10,152
Gross profit	26,650	16,129
Other income	206	-
Member expenses	6,782	7,065
Occupancy expenses	30,023	42,752
Administration expenses	133,753	140,196
Employment and contract expenses	319,696	317,819
IT expenses	7,262	2,189
Total expenses	497,516	510,021
Earnings before interest, depreciation and amortisation	(470,660)	(493,892)
Interest expenses		
Amortisation, depreciation and impairment	1,272	417
(Loss)/Profit before income tax	(471,932)	(494,309)

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Note 1 - Summary of Significant Accounting Policies (Cont'd)

v. **New Accounting Standards for Applications in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

— AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

— AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

— AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

— Tier 1: Australian Accounting Standards; and
— Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

— for-profit private sector entities that have public accountability; and
— the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

— AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

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Note 1 - Summary of Significant Accounting Policies (Cont'd)

This Standard is not expected to impact the Group.

— AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

— AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 2 - Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

	2011 $	2010 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	354,744	19,076
Trade and other receivables	100,403	403
TOTAL CURRENT ASSETS	455,147	19,479
NON-CURRENT ASSETS		
Trade and other receivables	74,427	-
Financial assets	11,073,862	2,821,642
Deferred tax assets	29,939	25,338
TOTAL NON-CURRENT ASSETS	11,178,228	2,846,980
TOTAL ASSETS	11,633,375	2,866,459
CURRENT LIABILITIES		
Trade and other payables	340,124	67,194
TOTAL CURRENT LIABILITIES	340,124	67,194
TOTAL LIABILITIES	340,124	67,194
NET ASSETS	11,293,251	2,799,265
EQUITY		
Issued capital	9,926,128	1,421,103
Retained earnings	1,367,123	1,378,162
TOTAL EQUITY	11,293,251	2,799,265

	2011 $	2010 $
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	1,079,999	983,543
Administration expenses	(15,640)	(11,321)
Profit before income tax	1,064,359	972,222
Income tax expense	4,601	3,396
Profit attributable to members of the parent entity	1,068,960	975,618

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Note 2 - Parent Information (Cont'd)

Guarantees

Riverwise Pty Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries, except for those guarantees given in relation to the purchase of the Telstra Business Centre Melbourne East by TBC Group Pty Ltd and its associated leases.

Contingent liabilities

Potential exists from a claim from Telstra against commissions paid to one of the Buying Groups Members for an amount of approximately $200,000. Should this event occur the Buying Group will recoup the claim from the Member.

Contractual commitments

Post balance date the subsidiary, Leading Edge Group Limited re-financed the facility relating to the Lease/Rental book that is presently being collected by the Leading Edge Group Limited. The facility expires on the 30th June 2013. The Leasing company ceased writing business in March 2011.

Note 3 - Revenue and Other Income

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. Operating activities:			
– Buying group		**266,414,012**	260,878,125
– Telecoms		**60,537,419**	56,955,635
– Retailing		**13,399,595**	8,394,373
– Leasing		**1,153,970**	484,506
		341,504,996	326,712,639
Other revenue			
– interest received			
– related parties		**20,603**	18,000
– other persons		**6,239,502**	4,282,273
Total interest revenue on financial assets not at fair value through profit or loss		**6,260,105**	4,300,273
– other revenue		**416,736**	1,599,847
Total revenue		**348,181,837**	332,612,759
b. Total revenue and other income from continuing operations			
– attributable to members of the parent entity		**345,502,299**	330,511,244
– attributable to non-controlling interest		**2,679,538**	2,101,515
		348,181,837	332,612,759

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 4 - Profit for the Year

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Profit before income tax from continuing operations includes the following specific expenses			
a. **Expense**			
Cost of sales		**286,572,977**	276,859,038
Interest expense on financial liabilities not at fair value through profit or loss:			
– related parties		-	-
– other person		**3,894,939**	2,700,368
		3,894,939	2,700,368
Foreign currency translation losses / (gains)		**812,294**	(14,295)
Bad and doubtful debts:			
— trade receivables		**82,575**	649,988
Write-on/(off) of obsolete stock		**(116,904)**	312,210
Employee benefits		**2,474,945**	1,052,430

Note 5 - Income Tax Expense

	Note	2011 $	2010 $
a. The components of tax expense comprise:			
Current tax		**1,241,667**	264,122
Deferred tax	20	**190,068**	686,254
(Under)/ Over provision in respect of prior years		**(413)**	57,326
		1,431,322	1,007,702
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)			
— consolidated group		**1,198,829**	1,009,919
Add:			
Tax effect of:			
— difference of tax rates of subsidiaries		-	-
— other non-allowable items		**232,906**	(59,543)
— (under)/over provision for income tax in prior year		**(413)**	57,326
		232,493	(2,217)
Less:			
Tax effect of:			
— share of net profits of associates and joint venture entities netted directly		-	-
Income tax attributable to entity		**1,431,322**	1,007,702
The applicable weighted average effective tax rates are as follows:		**36%**	30%

The increase in the weighted average effective consolidated tax rate for 2011 is a result of subsidiary in UK not taking up income tax benefit from operating losses of the current year.

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Note 6 - Key Management Personnel Compensation

a.

Key Management Personnel	Position	
Cameron S. McCullagh	Chairman — Non-executive	Appointed 28 April 2010
Gavin C. Ward	Director — Executive	
David L. Mills	Director — Non-executive	
Stephen B. Humphrys	Director — Non-executive	
Simon S. Allison	Director — Executive - Finance Director	

b. Compensation

	Short-term Benefits	Post-employment Benefits	Total
2011			
Total Compensation	**1,332,298**	**52,288**	**1,384,586**
2010			
Total Compensation	1,785,055	188,145	1,973,200

Note 7 - Auditor's Remuneration

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Remuneration of the auditor of the parent entity for:			
— auditing or reviewing the financial report		**16,500**	11,000
— taxation services		**2,500**	1,500
— other fees		-	-
Remuneration of auditors of subsidiaries			
— auditing or reviewing the financial report by other auditors		**67,262**	51,872
— auditing or reviewing the financial report		**264,136**	262,136
— taxation services		**39,730**	28,300
— other fees		**15,000**	8,228

Note 8 - Dividends

	2011	2010
Distributions paid		
Fully franked ordinary dividend at the tax rate of 30% (2010: 30%)	**1,079,999**	1,098,901
Balance of franking account at year end adjusted for franking credits arising from:	**7,710,073**	6,828,242

— payment of provision for income tax

— dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.

Note 9 - Earnings per Share

	2011	2010
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	**1,912,521**	1,403,131

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Note 10 - Cash and Cash Equivalents

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Cash at bank and in hand		5,648,806	2,920,324
Short-term bank deposits		813,070	648,010
		6,461,876	3,568,334

The effective interest rate on short-term bank deposits was 6.03% (2010: 3.2%); these deposits have an average maturity of 1 year.

Reconciliation of cash
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

	2011	2010
Cash and cash equivalents	6,461,876	3,568,334

Note 11 - Trade and Other Receivables

	2011	2010
CURRENT		
Trade receivables	44,198,230	43,242,224
Provision for impairment of receivables	(253,715)	(601,304)
	43,944,515	42,640,920
Other receivables	6,939,141	4,927,996
Amounts receivable from:		
— partly-owned subsidiaries	478,018	829,928
— other related parties	519,394	715,519
	7,936,553	6,473,443
	51,881,068	49,114,363
NON-CURRENT		
Lease receivables	6,673,820	4,532,149
	6,673,820	4,532,149

a.) Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the administration expense item.

	Opening Balance 01/07/2009	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2010
Current receivables	531,224	649,988	579,908	601,304

	Opening Balance 01/07/2010	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2011
Current receivables	601,304	82,575	(430,164)	253,715

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Note 11 - Trade and Other Receivables (Cont'd)

Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia and New Zealand given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group	
	2011	2010
	$	$
Australia	**48,061,178**	44,397,643
New Zealand	**2,405,576**	3,107,383
	50,466,754	47,505,026

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) 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 balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past Due and Impaired	Not Impaired (Days Overdue)	Within Initial Trade Terms
			>60	
2011				
Trade and term receivables	38,879,701	Nil	**3,299,433**	35,580,268
Total	38,879,701	Nil	3,299,433	35,580,268
2010				
Trade and term receivables	32,533,303	Nil	**1,191,443**	31,341,860
Total	32,533,303	Nil	1,191,443	31,341,860

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

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Note 12 - Inventories

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
CURRENT			
Stock on hand - at cost		4,206,512	4,978,585
Provision for impairment of inventories		(84,129)	(216,711)
		4,122,383	4,761,874

Note 13 - Investments Accounted for Using the Equity Method

	Note	2011 $	2010 $
Associated companies	14a	296,739	329,643

Note 14 - Associated Companies

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2011 %	Ownership Interest 2010 %	Carrying amount of investment 2011 $	Carrying amount of investment 2010 $
Unlisted:							
Merchandise Management Centre	Jewellery Distribution	Australia	Ord	50	50	1,394	1,394

	2011 $	2010 $
a. Movements During the Year in Equity Accounted Investment in Associated Companies		
Balance at beginning of the financial year	329,643	321,670
Share of associated company's profit after income tax	(32,904)	7,973
Balance at end of the financial year	296,739	329,643
b. Equity accounted profits of associates are broken down as follows:		
Share of associate's profit/(loss) before income tax expense	(47,006)	11,391
Share of associate's income tax expense/(benefit)	14,102	(3,418)
Share of associate's profit/(loss) after income tax	(32,904)	7,973
c. Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Current assets	1,859,196	1,601,549
Non-current assets	51,504	36,951
Total assets	1,910,700	1,638,500
Current liabilities	1,319,740	981,701
Non-current liabilities	-	-
Total liabilities	1,319,740	981,701
Net assets	590,960	656,799
Revenues	3,025,981	3,703,155
Profit/(loss) after income tax of associates	(65,809)	15,947

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Note 15 - Controlled Entities

	Note	Consolidated Group	
		2011	2010
		$	$
a. Controlled Entities Consolidated	**Country of Incorporation**		
Leading Edge Group Limited	Australia	100	100
Leading Edge Telecoms Group Pty Limited	Australia	100	100
Leading Edge Computer Group Pty Limited**	Australia	100	100
Tech Edge Solutions Pty Limited**	Australia	100	100
Leading Edge Home Theatre Group Pty Limited**	Australia	100	100
Golf Plus Pty Limited**	Australia	100	100
Leading Edge Technology Pty Limited**	Australia	100	100
Creditec Pty Limited**	Australia	100	100
Leading Edge Telecoms NZ Limited	New Zealand	100	100
Leading Edge Technologies NZ Ltd**	New Zealand	100	100
Retailease Pty Ltd	Australia	100	100
Leading Edge Music Retail Pty Ltd	Australia	100	100
Leading Edge Group (UK) Ltd	UK	90	90
Computer Care Australia Pty Ltd	Australia	51	51
Leading Edge Licensors Pty Limited**	Australia	100	100
Leading Edge Music Group Pty Limited	Australia	51	51
The Edge Distribution Pty Limited	Australia	51	51
TBC Group Pty Ltd	Australia	100	0

** Percentage of voting power is in proportion to ownership*
** Subsidiaries which have not traded during the period ended 30 June 2011

b. Acquisition of Controlled Entities

On 1st December 2010, the TBC Group purchased a telecom business.

	Fair Value $
Purchase consideration:	
— cash	8,000,000
— ordinary share of Riverwise Pty Ltd	1,000,000
Less:	
Inventories	226,288
Annual leave and long service leave	(312,469)
Bank Loan	(39,296)
Property, plant and equipment	327,389
Identifiable assets acquired and liabilities assumed	201,912
Goodwill	8,798,088

(i) The consideration paid to acquire the telecom business includes 82,236 Riverwise shares at $12.16 each issued to the vendors. The fair value of the shares has been determined based on the current market price of the shares at the date of acquisition.

(ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of the telecom business.

No amount of the goodwill is deductible for tax purposes.

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Note 16 - Property, Plant and Equipment

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
PLANT AND EQUIPMENT			
Plant and equipment			
At cost		3,652,911	5,749,134
Accumulated depreciation		(2,362,785)	(3,290,471)
		1,290,126	2,458,663
Leasehold improvements			
At cost		5,929,033	4,028,376
Accumulated amortisation		(3,408,921)	(2,156,559)
Total Leasehold Improvements		2,520,112	1,871,817
Motor Vehicle			
At cost		184,103	54,641
Accumulated depreciation		(110,908)	(28,050)
Total Motor Vehicle		73,195	26,591
Total Plant and Equipment		3,883,433	4,357,071

a. **Movements in Carrying Amounts**
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and equipment $	Leasehold improvement $	Motor Vehicle $	Total $
Consolidated Group				
Balance at 30 June 2009	1,997,683	1,714,066	18,292	3,730,041
Additions (Disposals) & Reclassifications	901,218	744,940	14,181	1,660,339
Depreciation expense	(440,238)	(587,189)	(5,882)	(1,033,309)
Balance at 30 June 2010	2,458,663	1,871,817	26,591	4,357,071
Additions (Disposals) & Reclassifications	(805,041)	1,012,530	129,462	336,951
Depreciation expense	(363,496)	(364,235)	(82,858)	(810,589)
Balance at 30 June 2011	1,290,126	2,520,112	73,195	3,883,433

Note 17 - Intangible Assets

	2011	2010
Goodwill		
Cost	20,890,734	12,089,320
Accumulated impaired losses	(459,160)	(459,160)
Net carrying value	20,431,574	11,630,160
Videoland Member Pool	1,509,006	1,509,006
Professional Golf Member Pool	497,455	497,455
Borrowing expenses		
Cost	3,216,460	2,371,800
Accumulated amortisation	(1,837,184)	(1,246,633)
Net carrying value	1,379,276	1,125,167

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Note 17 - Intangible Assets (Cont'd)

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Formation expenses			
Cost		**610,539**	692,557
Accumulated amortisation		**(93,888)**	(40,403)
Net carrying value		**516,651**	652,154
Trademarks, licenses and development cost			
Cost		**785,152**	136,934
Accumulated amortisation		**(94,142)**	-
Net carrying value		**691,010**	136,934
Intellectual Property		**322,277**	322,099
Computer Software			
Cost		**5,801,312**	4,696,379
Accumulated amortisation		**(3,826,843)**	(2,994,106)
Net carrying value		**1,974,469**	1,702,273
Intangible Lease			
Cost		**2,612,098**	2,966,848
Accumulated amortisation		**(2,612,098)**	(2,966,848)
Net carrying value		**-**	-
Total intangibles		**27,321,718**	17,575,248

Consolidated Group:	Goodwill $	Member Pools $	Borrowing & Formation Expenses $	Trademark & Intellectual Property $	Intangible Lease & Software $	Total
Year ended 30 June 2009						
Balance at the beginning of year	11,896,387	2,016,146	1,693,989	357,575	1,756,734	17,720,831
Additions	-	-	661,788	101,458	440,470	1,203,716
Impairment loss	(266,227)	(9,685)	-	-		(275,912)
Reclassification and other charges					(370,156)	(370,156)
Amortisation charge	-	-	(578,456)	-	(124,775)	(703,231)
Closing value at 30 June 2010	**11,630,160**	**2,006,461**	**1,777,321**	**459,033**	**1,702,273**	**17,575,248**
Additions	**8,996,911**	**-**	**762,642**	**648,396**	**1,104,933**	**11,512,882**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**
Reclassification and other charges	**(195,497)**	**-**			**24,116**	**-** **(171,381)**
Amortisation charge	**-**	**-**	**(644,036)**	**(94,142)**	**(856,853)**	**(1,595,031)**
Closing value at 30 June 2011	**20,431,574**	**2,006,461**	**1,895,927**	**1,013,287**	**1,974,469**	**27,321,718**

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an infinite life.

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Note 17 - Intangible Assets (Cont'd)

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $

Impairment disclosure

Goodwill is allocated to cash-generating unit which are based on the Group's reporting segments.

Buying Group	3,831,726	3,831,726
Telecom	16,405,528	7,604,114
Phone retail store	194,320	194,320
Total	**20,431,574**	11,630,160

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10-year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use

	Growth Rate	Growth Rate
Buying Group	**3.55**	**2.38**
Telecom	**3.55**	**2.38**

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 18 - Trade and Other Payables

CURRENT		
Unsecured liabilities		
Trade payables	**37,857,312**	30,074,724
Sundry payables and accrued expenses	**3,987,467**	6,847,512
PAYG withholding	**482,953**	359,949
GST - net	**495,825**	-
	42,823,557	37,282,185
NON-CURRENT		
Unsecured liabilities		
Unearned income	-	2,089,067

a. **Financial liabilities at amortised cost classified as trade and other payables**

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Note 19 - Borrowings

	Note	Consolidated Group 2011 $	2010 $
CURRENT			
Unsecured liabilities			
Credit card		36,823	21,564
Secured liabilities			
Bank loans	19a.,b.	17,552,650	18,862,707
Non-interest bearing loan	19a.,b.	791,142	2,450,394
		18,343,792	21,313,101
		18,380,615	21,334,665
NON-CURRENT			
Secured liabilities			
Bank loans	19a.,b.	16,280,610	11,354,286
Non-interest bearing loan	19a.,b.	1,285,013	-
		17,565,623	11,354,286

		2011 $	2010 $
a.	Total current and non-current secured liabilities:		
	Bank loan	33,870,083	30,238,557
	Non-interest bearing loan	2,076,155	2,450,394
		35,946,238	32,688,951

b. The bank loans and overdraft of the subsidiaries are secured by floating charge over all of the assets of each of the respective subsidiary.

c. The bank debt is primarily secured by first registered fixed and floating charges over the assets and undertaking of Leading Edge Group Limited, its subsidiaries and Riverwise Pty Limited (limited to the Australian entities only). Covenants imposed by the bank require Leading Edge Group Limited to maintain an Interest Cover Ratio is greater than 2.5 times; and the Debt Service Cover ratio to be greater than 1.5 times.

d. A portion of the invoice discounting facility for Leading Edge Group Limited has been classified as a mixture of current and non current term debt. The facility commenced in August 2008 and is audited by the bank quarterly and subject to annual reviews confirming compliance with banking covenants as disclosed in point c above. The facility is used to fund both working capital requirements relating to the Central Billing facility of the Buying Group, and has been used historically to fund acquisitions. The long term debt of the facility has been classified on the basis that there is no requirement to repay this portion of the facility provided Leading Edge Group Limited meets its covenants and the facility remains on foot. The current term debt of the facility reflects the portion of the debt that was calculated as the minimum level of security offered during the financial year.

Note 20 - Tax

		Note	Consolidated Group 2011 $	2010 $
a.	CURRENT			
	Income Tax		1,010,702	12,505

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Note 20 - Tax (Cont'd)

Deferred Tax Liability	Opening Balance $	Charged to Income $	Closing Balance $
Operating lease	117,041	(117,041)	-
Balance at 30 June 2010	117,041	(117,041)	-
Operating lease	-	242,091	242,091
Balance at 30 June 2011	-	242,091	242,091

Deferred Tax Assets	Note	Opening Balance $	Charged to Income $	Closing Balance $
Balance at 30 June 2009				
Provisions		838,442	(247,831)	590,611
Future income tax benefits attributable to tax losses		198,145	293,217	491,362
Impairment of property, plant and equipment		(21,284)	310,634	289,350
Others		-	213,193	213,193
Balance at 30 June 2010		1,015,303	569,213	1,584,516
Provisions		590,611	200,586	791,197
Future income tax benefits attributable to tax losses		491,362	567,455	1,058,817
Impairment of property, plant and equipment		289,350	(302,546)	(13,196)
Others		213,193	(33,336)	179,857
Balance at 30 June 2011		1,584,516	432,159	2,016,675

Note 21 - Provisions

	Long-term Employee $	Cancelled Orders $	Protection Plan $	Warranties $	Total $
Consolidated Group					
Balance at 30 June 2009	317,966	-	-	10,850	328,816
Additional provisions	147,154	-	25,000	-	172,154
Balance at 30 June 2010	465,120	-	25,000	10,850	500,970
Additional provisions	258,016	97,650	(8,622)	-	347,044
Balance at 30 June 2011	723,136	97,650	16,378	10,850	848,014

Provision for Warranties
A provision of $10,850 has been recognised for estimated warranty claims in respect of products and services sold which are still under warranty at balance date.

Provision for Long-term Employee Benefits
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 22 - Issued Capital

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
2,215,670 (2010: 1,410,159) fully paid ordinary		**9,915,184**	1,410,159

a.) **Ordinary shares**

		2011	2010
At the beginning of year		**1,410,159**	1,410,159
Shares issued during the year			
—	02/08/2010	**132,773**	-
—	14/09/2010	**1,000**	-
—	30/11/2010	**607,238**	-
—	20/01/2011	**63,663**	-
—	20/06/2011	**837**	-
At end of year		**2,215,670**	1,410,159

On 28 June 2011, the parent declared dividends of $1,079,999. Of this amount, the shareholders reinvested $636,630.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b.) **Capital Management**

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

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.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The gearing ratio's for the year ended 30 June 2011 and 30 June 2010 are as follows:

	Note	2011	2010
Total borrowings		**78,769,795**	69,971,136
Less cash and cash equivalents	10	(6,461,876)	(3,568,334)
Net debt		**72,307,919**	66,402,802
Total equity		**24,974,978**	15,924,220
Total capital		**97,282,897**	82,327,022
Gearing ratio		**74.33**	**80.66**

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Note 23 - Reserves

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. Foreign Currency Translation Reserve			
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.		**175,260**	156,714

Note 24 - Capital and Leasing Commitments

	2011 $	2010 $
a. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	3,397,431	3,436,667
— between 12 months and 5 years	7,663,906	6,287,759
— greater than 5 years	1,349,364	8,966
	12,410,701	9,733,392

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years. The lease allows for subletting of all lease areas.

Note 25 - Contingent Liabilities and Contingent Assets

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 respect of a cross guarantee between Leading Edge Telecoms NZ Limited and Leading Edge Communications Limited whereby the instrument acts as security for the secured creditors for Leading Edge Telecoms NZ. This is as a result of the funding agreement existing in the name of Leading Edge Telecoms NZ Limited, but all assets and liabilities of the business resides in Leading Edge Communications Limited. The amount is the extent of any existing indebtedness of Leading Edge Telecoms NZ Limited to the bank at any point in time.

Note 26 - Operating Segment

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are similar with respect to the following:

- the services provided by the segment
- the distribution method
- the type or class of customers for the services

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Note 26 - Operating Segment (Cont'd)

Types of products and services by segment

(i) *Buying Group*
The central billing segment provides centralised billing services to members. All products are aggregated as one reportable segment as the products are similar in nature and distributed to similar types of customers and subject to similar regulatory environment.

(ii) *Telecoms*
Buying Group segment provides members with advertising campaign, website access, customer related services.

(iii) *Retailing & Others*
Retailing segment are the Group's retail stores comprising mainly of telephone, music and jewellery stores.

(iv) *Leasing*
Leasing segment focuses on consumer rentals in the computer vertical of Leading Edge Group Limited. The business was established to drive sales within this vertical and is seen as a strategically important part of future business.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**
Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**
All inter-segment transactions are eliminated on consolidation of the Group's financial statements.

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

d. **Segment liabilities**
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. **Unallocated items**
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

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Note 26 - Operating Segment (Cont'd)

Segment performance

2011	Buying Group	Telecoms	Leasing	Retailing & Others	Total
Revenue					
External sales	266,414,012	60,537,419	1,153,970	13,399,595	341,504,996
Intersegment sales	9,650,346				9,650,346
Interest received	1,503,356	45,671	4,700,918	10,160	6,260,105
Total segment revenue	277,567,714	60,583,090	5,854,888	13,409,755	357,415,447
Reconciliation of segment revenue to group revenue					
Other revenue					416,736
Intersegment elimination					(9,650,346)
Total group revenue					348,181,837
Segment net profit from continuing operations before tax	**3,607,189**	**2,674,283**	**418,221**	**(2,687,957)**	**4,011,736**
Reconciliation of segment result to group net profit before tax					
i. Unallocated items:					
— other					(15,640)
Net profit before tax from continuing operations					**3,996,096**

2010	Buying Group	Telecoms	Leasing	Retailing & Others	Total
Revenue					
External sales	260,878,125	56,955,635	484,506	8,394,373	326,712,639
Intersegment sales	6,045,601				6,045,601
Interest received	1,188,117	-	3,110,101	2,055	4,300,273
Total segment revenue	268,111,843	56,955,635	3,594,607	8,396,428	337,058,513
Reconciliation of segment revenue to group revenue					
Other revenue					1,599,847
Intersegment elimination					(6,045,601)
Total group revenue					332,612,759
Segment net profit from continuing operations before tax	2,540,551	1,804,551	(168)	(967,216)	3,377,718
Reconciliation of segment result to group net profit before tax					
i. Unallocated items:					
— other					(11,321)
Net profit before tax from continuing operations					3,366,397

Note 26 - Operating Segment (Cont'd)

Revenue by geographical region

The consolidated group's business segments are located in Australia with the telephone retailing division also having operations in New Zealand and United Kingdom.

Revenue attributable to external customers is disclosed below, based on location of the external customer:

	2011	2010
	$	$
Australia	**298,322,446**	278,732,964
New Zealand	**46,106,108**	52,140,133
United Kingdom	**3,753,283**	1,739,662
Total revenue	**348,181,837**	332,612,759

Assets by geographic region	2011	2010
	$	$
The location of segment assets by geographic location of the assets is disclosed below:		
Australia	**90,530,536**	70,315,485
New Zealand	**12,832,719**	16,626,804
United Kingdom	**2,482,325**	1,521,736
Total assets	**105,845,580**	88,497,898

Major Customers

The Group has a number of customers to whom it provides both products and services. The Group supplies central billing to a number of its buying group members which account for 76 % of the external revenue (2010: 77%).

RIVERWISE PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 27 - Cash Flow Information

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. Reconciliation of Cash Flow from Operations with Profit after Income Tax			
Profit after income tax		**2,564,774**	2,358,695
Cash flows excluded from profit attributable to operating activities			
Non-cash flows in profit			
Amortisation		**730,610**	1,399,652
Depreciation		**1,675,010**	1,157,705
Bad and doubtful debt		**(347,589)**	70,080
Employee entitlements		**774,289**	88,703
Provisions		**(43,554)**	272,923
Foreign currency translation reserve		**18,546**	(107,947)
Share of associated companies net profit after income tax dividends and non-controlling interest payment for expenses		**32,904**	(7,973)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
(Increase)/decrease in trade and term receivables		**(4,560,787)**	253,854
(Increase)/decrease in prepayments		**(513,168)**	(847,720)
(Increase)/decrease in inventories		**772,073**	662,146
Increase/(decrease) in trade payables and accruals		**5,254,051**	(4,579,104)
Increase/(decrease) in unearned income		**-**	1,212,328
Increase/(decrease) in income taxes payable		**998,197**	(619,341)
Increase/(decrease) in deferred taxes payable		**(190,067)**	(686,253)
Increase/(decrease) in provisions		**-**	-
Cashflow from operations		**7,165,289**	627,748
b. Credit Standby Arrangements with Banks			
Credit facility		**8,122,367**	18,825,855
Amount utilised		**8,122,367**	11,178,176
The major facilities are summarised as follows:			
Invoice discounting		**30,000,000**	30,000,000
Line of credit			-
Line of credits facilities are arranged with a number of Australian banks with the general terms and conditions being set and agreed to annually			-
Loan Facilities		**8,122,367**	8,856,798
Interest rates are variable and subject to adjustment			

c. **Non-cash Financing Activities**

i. Share issue:

- 82,236 Riverwise shares (1,000,000 Leading Edge Group Limited consequently issued to Riverwise) were issued as part of the consideration for the purchase of TBC Group Pty Ltd.
- during the year, Riverwise Pty Limited paid dividends and the shareholders reinvested $636,630 (63,663 shares).

Note 27 - Cash Flow Information (Cont'd)

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
c. **Loan Facilities**			
Loan facilities		30,000,000	30,000,000
Amount utilised		22,265,987	20,030,943

The major facilities are summarised as follows:
Invoice discounting which funds the central billing facility at an interest rate of 9.35 %. This facility is subject to covenants being met by the Leading Edge Group Limited only.

Leading Edge Telecoms NZ Limited's bank loans was paid off in September 2010. Interest of 5.42% was payable on the loan.

The loan facility for Retailease at balance date was $8,122,367 at an interest rate of 8.77% .

Note 28 - Events After the Balance Sheet Date

Post balance date the subsidiary, Leading Edge Group Limited re-financed the facility relating to the Lease/Rental book that is presently being collected by the Leading Edge Group Limited. The facility expires on the 30th June 2013. The Leasing company ceased writing business in March 2011. This has the effect of reducing the Current Liabilities by $4,061,184.

Wallace Absolute Limited (WAB) advanced $3 million to the company with the option to convert that amount into shares at a price of $10 per share. Riverwise also agreed to grant a put option that allows WAB to assign 50% of the cash flows it received from its subsidiary Hal Data Services Pty Ltd. If WAB is to exercise its option, the consideration would be $4.8 million (in the form of 485,700 Riverwise Redeemable Convertible Preference Shares).

Other than the matters discussed above, 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 and its controlled entities to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

Note 29 - Related Party Transactions

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Transactions with related parties:			
a. **Ultimate Parent Company - Riverwise Pty Ltd**			
Riverwise Pty Ltd has made loans to the Leading Edge Group Limited on normal commercial terms and conditions that are unsecured, at call and interest free		74,427	96,489
b. **Associated Companies**			
Pursuant to an agreement between all shareholders of Merchandise Management Centre Pty Ltd, each shareholder is required to provide an interest bearing loan to Merchandise Management Centre Pty Ltd.		339,056	345,056

RIVERWISE PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 29 - Related Party Transactions (Cont'd)

	Note	Consolidated Group 2011 $	2010 $
c. Key Management Personnel			
i. A firm in which David Mills is a partner, rendered legal services to the company during the year.			
Secretarial and directors fees		**110,000**	110,000
ii. Loans to directors on purchase of Riverwise shares from Leading Edge Group Limited.		**616,320**	617,292
iii. Moore Stephens, a firm in which Stephen Humphrys is a partner, rendered services to the company during the year.		**139,343**	-

Note 30 - Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 $	2010 $
Cash and cash equivalents	10	**6,461,876**	3,568,334
Loans and receivables	11	**6,673,820**	4,532,149
Total financial assets		**13,135,696**	**8,100,483**
Financial liabilities at amortised cost			
- trade and other payables	18	**42,823,557**	**37,282,185**

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

RIVERWISE PTY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 30 - Financial Instruments (Cont'd)

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2011 approximately 70% of group debt is fixed. For further details on interest rate risk refer to Note 30(b)(i).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

b. **Financial Instruments**

i. **Financial instrument composition and maturity analysis**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Consolidate Group	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 Year		1 to 5 Years		Non-interest Bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets												
Cash and cash equivalents	6.0%	4.5%	6,461,876	3,568,334	-	-	-	-	-	-	6,461,876	3,568,334
Trade and other receivables	2.9%	2.9%	-	-	51,881,068	49,114,363	6,673,820	4,532,149	-	-	58,554,888	53,646,512
Investments			-	-	-	-	-	-	296,739	329,643	296,739	329,643
Total Financial Assets			6,461,876	3,568,334	51,881,068	49,114,363	6,673,820	4,532,149	296,739	329,643	65,313,503	57,544,489
Financial Liabilities												
Trade and other payables				-	-	-	-	-	42,823,557	39,371,252	42,823,557	39,371,252
Bank loans and overdrafts	8.95%	9.69%	17,552,650	18,862,707	36,823	21,564	17,565,623	11,354,286	791,142	2,450,394	35,946,238	32,688,951
Total Financial Liabilities			17,552,650	18,862,707	36,823	21,564	17,565,623	11,354,286	43,614,699	41,821,646	78,769,795	72,060,203

ii. **Net Fair Values**

The carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values.

Note 31 - Company Details

The registered office and principal place of business is:of the company is:

Riverwise Pty Limited
Level 1, 3 Fitzsimons Lane
Gordon NSW 2072

RIVERWISE PTY LIMITED
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DIRECTORS' DECLARATION

The directors of the company declare that:

1 the financial statements and notes, as set out on pages 6 to 44, are in accordance with the Corporations Act 2001 and:

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

   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;

2 the Chief Executive Officer and Chief Finance Officer have each declared that:

   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001;*

   b. the financial statements and notes for the financial year comply with the Accounting Standards; and

   c. the financial statements and notes for the financial year give a true and fair view;

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

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

Director ....
Director

Dated this 28 day of October 2011

RIVERWISE PTY LIMITED
ABN 20 084 303 408
AND CONTROLLED ENTITIES

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) and Riverwise Pty Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

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

Auditor's Opinion

In our opinion:

a. the financial report of Riverwise Pty Limited and Riverwise Pty Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their 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. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

MNSA P/L

MNSA Pty Ltd

Phillip Miller
Level 2 333 George Street Sydney
Dated this 28 day of October 2011

LEADING EDGE GROUP LIMITED
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AND CONTROLLED ENTITIES

Annual Audited Accounts
for the year ended 30 June 2011

LEADING EDGE GROUP LIMITED
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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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Chairman's Review
Leading Edge Group Limited

Shareholders,

The purchase of a Telstra Business Centre (TBC) in Melbourne has continued the shift to a combination of buying group and telecom distributor. We expect this trend to continue as the telecom operations continue to expand more rapidly than the buying group operations.

For the year ended 30 June 2011 the telecom operations contributed a net profit before tax (NPBT) of $2.7 million and the buying group contributed $3.6 million. These profitable operations have been reduced by $1.6 million from 'company owner' retail operations (that are being closed) and newly established and run-off businesses which reduced NPBT by a net $0.7 million. Director's fees were reduced by $0.6 million across the financial year.

The Leading Edge Group consolidated NPBT was $4.0 million (2010: $3.4 million). This represents a 20% increase. In light of the $1.6 million losses from investing in expanding operations (UK telecom, EM2 and Computer Care Australia), this was a solid result.

Telecom Operations

In December 2010 we acquired a Telstra Business Centre (TBC) based in Melbourne, which contributed $1.25 million to this year's NPBT.

These operations are currently trading towards a contribution of around $4.0 million NPBT in its first full financial year in the Leading Edge Group. While future results are uncertain, should it occur, it will in part be due to the post acquisition award of a TBC for Eastern Sydney, which sees us expand into this market with the same business model.

Opportunities exist to operate more territories. Telstra's support of our business was confirmed at the 2011 Telstra National Conference where they awarded Leading Edge Telecoms Partner of the Year and TBC Partner of the Year.

In the United Kingdom, Leading Edge operates 10 of British Telecommunication's (BT) 50 territories through BT outsourcing the operation of their Local Business Sales Offices to us. Our business model is to provide a low cost and effective outsourced sales force to BT. The scalable nature of our model allows BT to allocate additional areas to us where we can achieve higher sales than the incumbent.

We commenced our UK operations just two and a half years ago with the allocation of one territory and as we have driven BT's sales upward in poor performing territories we have been rewarded with additional territories. We have seen our revenues grow from just under $2.0 million in FY 2010 to $4.5 million in FY 2011.

We consider the accumulated UK losses of $875,000 to be an investment in the development of the business model and to reach sufficient scale. The operations reached break-even in March 2011, however the negative impact on NPBT for the year ended 30 June 2011 was $0.6 million.

We were awarded the Thames Valley Local Business Sales Offices in September 2011. UK expansion is likely to continue as we provide BT with improved sales. We hope to achieve a positive contribution of NPBT in the current financial year.

In New Zealand, Leading Edge Communications now operates from 27 consumer stores and 11 Business Hubs/Hybrids which represent approximately 25% of Telecom New Zealand's retail footprint. Leading Edge Communications is also Gen-i's largest preferred dealer managing more than 55% of Gen-i's mobile business with over 110,000 connections across 1000 corporate, Enterprise and Government accounts.

We believe there will be a continued expansion in profit from telecom operations in the market in which we operate, as our expertise of a low cost effective sales model supports increased outsourcing to us.

Buying Group Operations

The Buying Groups contributed NPBT of $3.6 million.

The Buying Group business has developed in 3 major areas: Technology Groups (with verticals in Telecoms, Computers, Electronics and Photography), Entertainment Groups (with verticals in Books, Video and Music) and Leisure Groups (with verticals in Jewellery, Golf and Lingerie).

The Buying Group NPBT would have been larger, but for a combination of a depressed retail market and distribution issues by our largest supplier in the computer group.

We believe the risks to NPBT of continued depressed retail sales are offset by cost cutting opportunities in the Buying Group and head office.

We will continue to review the Buying Group operations with a view to improving efficiencies and decreasing costs and are confident that with these steps, we will increase NPBT while continuing to provide a high level of service to our buying group members.

The company will continue to consider adding verticals to the buying groups. This year we were excited to expand into Leading Edge Lingerie and Leading Edge Auto Electrical, the latter group complementing our Leading Edge Electronics group.

Other Operations

The Company has been divesting its non-core company owned retail stores in Music and Jewellery. We expect to complete the exits from company owned retail stores this financial year at a small operating loss.

The company has exited from its leasing business which has had a positive impact on the result.

The company has developed an offering in managed IT services (Computer Care Australia) that is being sold as a franchise in the Australian market. This product offering compliments both our computer group and the Telstra Business Centre Group. These operations resulted in a $0.6 million loss for the year ended 30 June 2011. We believe the managed IT services will make a small positive contribution to profit in the current financial year.

Capital Raising

Post year-end, we raised capital to strengthen the financial capacity of the group and support continued expansion and diversification.

Wallace Absolute Limited (WAB) advanced $3m to the company with the option to convert that amount into shares in Riverwise Pty Limited (Riverwise), Leading Edge's holding company at a price of $10 per share. Additionally Riverwise agreed to grant a put option that allows WAB to assign 50% of the cash flows it receives from Hal Data Services Pty Limited (HDS) as part of the Loan Note Facility dated 26 November 2009 (Loan Note Facility). The consideration payable by Riverwise, if WAB exercises the option, is half of the valuation of the Loan Note Facility adopted by WAB on 24 June 2011 less any cash flows received by WAB under the Loan Note Facility at the time the option is exercised. There is opportunity for upside where cashflows exceed the valuation and WAB also has the option to convert that purchase price into Riverwise shares at a price of $10 per share. Apart from the natural benefit of having a listed company as a shareholder, the diversity of income stream from the WAB leasebook will improve the company's risk profile.

The issue of shares to WAB will be in the context of a rights issue to shareholders at $10 per share at least equal in number to the shares eventually issued to WAB.

We look forward to the year ahead with strong growth forecasted.

LEADING EDGE GROUP LIMITED
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Directors' report

Your directors present their report, together with the financial statements of the Group, being the company and its controlled entities for the financial year ended 30 June 2011.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Buying group membership comprising the largest group of independent retailers in Australia.
- Telecommunications company in New Zealand and United Kingdom comprising of both Corporate and Retail outlets
- Telstra Business Centre
- Retail outlets in Telecommunications, Music and Jewellery
- Telecommunications call centre

The parent entity purchased the Telstra Business Centre, the consolidated group expanded its telecommunications operations.

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

Operating Results

The consolidated profit of the consolidated group amounted to $2,970,551 (2010: $2,427,354) after providing for income tax and eliminating non-controlling equity interests. This represents a 22% increase on the results reported for the year ended 30 June 2010. The significant improvement was largely from increased sales from the telecommunications operations.

Review of Operations

A review of the operations of the consolidated group during the financial year and the results of those operations are as follows:

- The parent entity which operates the buying group and central credit facility's NPBT grew from $2,540,551 (FY10) to $3,572,935 (FY11). This growth is attributal to organic growth in the Technology verticals and through returns on investments in Subsiduaries.
- The NZ entity Leading Edge Telecoms NZ Limited which owns 24 Telecom NZ retail stores, 3 Corporate outlets and represents 14 independently owned retail outlets grew in NPBT from $2,034,767 (FY10) to $2,068,804 (FY11).
- The UK entity Leading Edge UK operations for the second year showed a revenue of $3,753,283 up from it's first year operation with revenue of $1,739,662.
- The Consumer rental company called Retailease Pty Ltd ceased to write new business from March 2011 and is collecting the Lease book and retiring the associated facility. Post balance date the Parent refinanced the facility which has had a favourable impact on both the balance sheet and cashflows of the consolidated entity.

Financial Position

The net assets of the consolidated group have increased by $8,533,899 from 30 June 2010 to $24,567,645 in 2011. This increase has largely resulted from the following factors:

- positive operating performance of the group;
- business acquisitions during the year.

The consolidated group's strong financial position has enabled the Group to obtain borrowing for business acquisition, increasing its borrowings by $3,257,287. The current working capital declined because the loan by Retailease become current. The group has renegotiated the loan as at date of this report.

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Directors' report

The directors believe the group is in a strong and stable financial position to expand and grow its operations.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the parent entity that occurred during the financial year.

Dividends Paid or Recommended

A fully franked dividend of $1,079,999 (2010: $1,082,444) was paid during the year ended 30 June 2011.

After Balance Date Events

Post balance date the Parent re-financed the facility relating to the Lease/Rental book that is presently being collected by the Parent. The facility expires on the 30th June 2013. The Leasing company ceased writing business in March 2011. This has the effect of reducing the Current Liabilities by $4,061,184.

Wallace Absolute Limited (WAB) advanced $3 million to the company with the option to convert that amount into shares in Riverwise Pty Limited (Riverwise), Leading Edge's holding company at a price of $10 per share. Riverwise also agreed to grant a put option that allows WAB to assign 50% of the cash flows it received from its subsidiary Hal Data Services Pty Ltd. If WAB is to exercise its option, the consideration would be $4.8 million (in the form of 485,700 Riverwise Redeemable Convertible Preference Shares).

No other matters or circumstances other than those disclosed above and on the accounts have arisen since the end of the financial year which has significantly affected or may significantly affect:

a) the consolidated entities operations in future financial years; or
b) the results of those operations in future financial years; or
c) the consolidated entities state of affairs in future financial years.

Future Developments, Prospects and Business Strategies

Likely developments in the operations of the economic entity and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the economic entity.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors

The names of directors in office at any time during or since the end of the year are:

David L. Mills	
Stephen B. Humphrys	
Gavin C. Ward	
Simon S. Allison	
Cameron S. McCullagh	Appointed 28 April 2010

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

LEADING EDGE GROUP LIMITED
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Directors' report

Information on Directors

Cameron S. McCullagh	-	Director
Qualifications	-	Fellow, Institute of Chartered Accountants in Australia
Experience	-	Extensive experience in the financial operations of organisations, director of a number of listed companies
Special responsibilities	-	Mr. McCullagh is non-executive director - Chairman of the Board.
David L. Mills	-	Director
Qualifications	-	BALLB, Notary Public
Experience	-	Extensive legal practise.
Special responsibilities	-	Mr. Mills is Chairman of the remuneration committee and Legal committee
Gavin C. Ward	-	Executive Director
Qualifications	-	Extensive Sales, Marketing & Managerial experience through out the Australasian region
Experience	-	Involved in the development of the Group over the last 16 years.
Special responsibilities	-	Mr. Ward a CEO of the Buyer group and responsible for all its operations.
Stephen B. Humphrys	-	Director
Qualifications	-	Fellow, Institute of Chartered Accountants; Registered Tax Agent
Experience	-	Partner, Moore Stephens Sydney, Chartered Accountants
Special responsibilities	-	Chairman of the Audit Committee and member of remuneration committee.
Simon S. Allison	-	Director
Qualifications	-	BSC, B.Bus, ASA, MACID
Experience	-	Extensive experience in the financial operations of organisations, in the IT Sector, and telecommunications sector.
Special responsibilities	-	Mr Allison is CEO of the Business Services Group and oversees telecommunications globally, the finance team, Computer Care Australia.

Company Secretary

Mr. David Mills - (BALLB, Notary Public) who has extensive legal practise and has held Company Secretariats through out his career. He is also Chairman of the Remuneration Committee and Legal Committee.

LEADING EDGE GROUP LIMITED
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Directors' report

Meetings of Directors

During the year, 18 Meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Committee Meetings					
			Audit Committee		Remuneration Committee		Legal Committee	
	No. eligible to attend	Nos. attended	No. eligible to attend	Nos. attended	No eligible to attend	Nos. attended	No eligible to attend	Nos. attended
Cameron S McCullagh	13	12						
David L Mills	13	13			1	1	2	2
Stephen B Humphrys	13	13	2	2	1	1		
Gavin C Ward	13	13						
Simon S Allison	13	13					2	2

Options

Subsequent to year end Wallace Absolute Limited (WAB) advanced $3 million to the company with the option to convert that amount into shares in Riverwise Pty Limited (Riverwise), Leading Edge's holding company at a price of $10 per share. Riverwise also agreed to grant a put option that allows WAB to assign 50% of the cash flows it received from its subsidiary Hal Data Services Pty Ltd. If WAB is to exercise its option, the consideration would be $4.8 million (in the form of 485,700 Riverwise Redeemable Convertible Preference Shares).

No other options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year.

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.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 7 of the financial report.

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

Steve B [signature]
....
Director

Dated this..25...day of ....October..........................201.1..

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF LEADING EDGE GROUP LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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.

MNSA P/L

MNSA Pty Ltd

Phillip Miller
Director

Dated 25th October 2011
Level 2, 333 George Street Sydney NSW 2000

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
Revenue	3	**348,181,837**	332,612,759
Cost of sales	4	**(286,572,977)**	(276,859,038)
Gross profit		**61,608,860**	55,753,721
Member and advertising expenses		**(685,525)**	(3,000,713)
Occupancy expenses		**(5,685,078)**	(6,087,902)
Administration expenses		**(7,549,388)**	(6,950,946)
Employment and contract expenses		**(36,369,640)**	(30,428,041)
IT expenses		**(974,030)**	(658,649)
Share of net profits of associates and joint ventures	14b.	**(32,904)**	7,973
Earnings before interest, depreciation and amortisation		**10,312,295**	8,635,443
Interest expenses		**(3,894,939)**	(2,700,368)
Amortisation, depreciation and impairment		**(2,405,620)**	(2,557,357)
Profit before income tax		**4,011,736**	3,377,718
Income tax expense	5	**(1,435,923)**	(1,011,098)
Profit for the year		**2,575,813**	2,366,620
Profit attributable to:			
Members of the parent entity		**2,970,551**	2,427,354
Profit attributable to minority equity interest		**(394,738)**	(60,734)
		2,575,813	2,366,620
Basic earnings per share (cents per share)	9	**0.44**	0.75

The accompanying notes form part of these financial statements.

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	**6,107,132**	3,549,258
Trade and other receivables	11	**51,780,665**	49,113,960
Inventories	12	**4,122,383**	4,761,874
Prepayment		**3,187,868**	2,674,700
TOTAL CURRENT ASSETS		**65,198,048**	60,099,792
NON-CURRENT ASSETS			
Lease receivables	11	**6,673,820**	4,532,149
Investments accounted for using the equity method	13	**296,739**	329,643
Financial assets	15	**10,944**	10,944
Property, plant and equipment	17	**3,883,433**	4,357,071
Deferred tax assets	21	**1,986,735**	1,559,178
Intangible assets	18	**27,122,895**	17,575,248
TOTAL NON-CURRENT ASSETS		**39,974,566**	28,364,233
TOTAL ASSETS		**105,172,614**	88,464,025
CURRENT LIABILITIES			
Trade and other payables	19	**42,483,497**	37,042,297
Financial liabilities	20	**18,380,615**	21,334,665
Current tax liabilities	21	**1,010,702**	12,505
Provisions	22	**848,014**	500,970
TOTAL CURRENT LIABILITIES		**62,722,828**	58,890,437
NON-CURRENT LIABILITIES			
Trade and other payables	19	**74,427**	2,185,556
Financial liabilities	20	**17,565,623**	11,354,286
Deferred tax liabilities	21	**242,091**	-
TOTAL NON-CURRENT LIABILITIES		**17,882,141**	13,539,842
TOTAL LIABILITIES		**80,604,969**	72,430,279
NET ASSETS		**24,567,645**	16,033,746
EQUITY			
Issued capital	23	**9,879,407**	3,227,777
Reserves	24	**175,260**	156,714
Retained earnings		**14,444,490**	12,553,938
Parent interest		**24,499,157**	15,938,429
Non-controlling interest		**68,488**	95,317
TOTAL EQUITY		**24,567,645**	16,033,746

The accompanying notes form part of these financial statements.

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

Economic Entity	Note	Issued capital $	Reserves $	Retained earnings $	Non-controlling interest $
Balance as at 30 June 2009		3,227,777	264,661	12,175,269	74,084
Profit for the year				2,427,354	(60,734)
Beginning balance adjustment	1u.			(966,241)	81,967
Adjustments from translation of foreign controlled entities		-	(107,947)	-	-
Subtotal		3,227,777	156,714	13,636,382	95,317
Dividends paid or provided for	8	-	-	(1,082,444)	-
Balance as at 30 JUNE 2010		3,227,777	156,714	12,553,938	95,317
Shares issued		6,651,630			
Profit for the year				2,970,551	(394,738)
Other comprehensive income for the year			-		
Recognition of minority interest					367,909
Adjustments from translation of foreign controlled entities		-	18,546	-	-
Subtotal		9,879,407	175,260	15,524,489	68,488
Dividends paid or provided for	8	-	-	(1,079,999)	-
Balance as at 30 JUNE 2011		9,879,407	175,260	14,444,490	68,488

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group	
		2011	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from central billing		**238,827,025**	248,198,514
Payments to suppliers and employees		**(236,771,270)**	(246,363,018)
Net cash provided by (used in) central billing		**2,055,755**	1,835,496
Receipts from members		**98,191,228**	93,473,172
Payments to employees and other suppliers		**(95,037,153)**	(94,601,234)
Interest received		**6,260,105**	4,300,273
Finance costs		**(3,894,939)**	(2,700,368)
Income tax paid		**(623,191)**	(1,668,174)
Net cash provided by (used in) operating activities	28	**6,951,805**	639,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,244,139)**	(1,414,579)
Purchase of business		**(8,000,000)**	-
Purchase of other non-current assets		**(1,235,490)**	(1,542,257)
Loans to subsidiaries and shareholder		**-**	-
Net cash provided by (used in) investing activities		**(10,479,629)**	(2,956,836)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**5,328,739**	-
Proceeds/ (Payment) from/of borrowings		**1,146,158**	(1,362,849)
Dividends paid by parent entity		**(389,199)**	(1,082,444)
Net cash provided by (used in) financing activities		**6,085,698**	(2,445,293)
Net (decrease)/increase in cash held		**2,557,874**	(4,762,964)
Cash at beginning of financial year	10	**3,549,258**	8,312,222
Cash at end of financial year	10	**6,107,132**	3,549,258

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represents those of Leading Edge Group Limited and Controlled Entities (the 'consolidated group' or 'group')

The separate financial statements of the parent entity, Leading Edge Group Limited, have not been presented within this financial report as permitted by the Corporations Act 2011.

The financial statement were authorised for issue on .... October, 2011 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. **Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Leading Edge Group Limited at the end of the reporting period. A controlled entity is any entity over which Leading Edge Group Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 16 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

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

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

Note 1 - Summary of Significant Accounting Policies (Cont'd)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

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

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Refer to Note 16 for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

b. Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Inventories

Inventories are measured at the lower of cost and net realisable value.

d. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

Note 1 - Summary of Significant Accounting Policies (Cont'd)

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	5 - 40%
Motor vehicle	31.4
Leasehold improvements	7.5 - 18%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. Financial Instruments

Initial recognition and measurement

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

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

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

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

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

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

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial guarantees
Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Impairment of Assets
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

h. Investments in Associates
Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are shown at Note 14.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

i. **Interest in Joint Ventures**

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. Details of the group's interests are shown at Note 14.

The Group's interests in joint venture entities are recorded using the equity method of accounting (refer to Note 1(h) for details) in the consolidated financial statements.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

j. **Intangibles Other than Goodwill**

Trademarks

Trademarks are recognised at cost of acquisition. Trademarks has a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Trademarks are amortised over their useful life ranging from 15 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

k. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Group companies
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:
- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

l. **Employee Benefits**
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

m. **Provisions**
Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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

n. **Provision for Warranties**
Provision is made in respect of the consolidated group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

o. **Cash and Cash Equivalents**
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

p. **Revenue**
Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

q. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

r. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

s. **Comparative Figures**

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

t. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The Group assesses impairment at each reporting date by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of goodwill at the end of the reporting period (2010 $300,000). Should the projected revenue figures be outside 90 % of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of $20,232,751.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

Key judgments

(i) Provision for impairment of receivables

Included in trade receivables at the end of the reporting period is an amount receivable from sales made to Das Systems PL during the current financial year amounting to $43,746. Das Systems PL went into liquidation in 17th Jan 2011. While there is inherent uncertainty in relation to the outcome of the liquidation, the directors understand that the full amount of the debt is likely to be recoverable from the Insurers, and therefore no provision for impairment has been made.

u. **Beginning balance adjustment**

The consolidated group has consolidated Leading Edge UK Limited for the first time in the current year. Leading Edge UK Limited was previously accounted as investment during the years ended 30 June 2009 and 30 June 2008 when the company was being brought to operation. The adjustment is to reflect Leading Edge UK Limited's operating income and expenses previously not brought to account in the prior periods.

The Leading Edge UK Limited has the following operating income and expenses.

	2009	2008
Revenue	27,453	26,281
Cost of sales	803	10,152
Gross profit	26,650	16,129
Other income	206	-
Member expenses	6,782	7,065
Occupancy expenses	30,023	42,752
Administration expenses	133,753	140,196
Employment and contract expenses	319,696	317,819
IT expenses	7,262	2,189
Total expenses	497,516	510,021
Earnings before interest, depreciation and amortisation	(470,660)	(493,892)
Interest expenses		
Amortisation, depreciation and impairment	1,272	417
(Loss)/Profit before income tax	(471,932)	(494,309)

v. **New Accounting Standards for Applications in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

— AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

— AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group.

— AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

— Tier 1: Australian Accounting Standards; and
— Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

— for-profit private sector entities that have public accountability; and
— the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

— AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

— AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

Note 1 - Summary of Significant Accounting Policies (Cont'd)

— AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

Note 2 - Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

STATEMENT OF FINANCIAL POSITION

	2011 $	2010 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**2,820,486**	1,194,454
Trade and other receivables	**46,917,717**	45,551,257
Inventories	**1,497,045**	1,892,263
Prepayment	**465,492**	498,029
TOTAL CURRENT ASSETS	**51,700,740**	49,136,003
NON-CURRENT ASSETS		
Trade and other receivables	**17,505,225**	6,060,591
Investments accounted for using the equity method	**1,394**	1,394
Financial assets	**3,640,111**	1,879,688
Property, plant and equipment	**1,750,388**	1,682,920
Deferred tax assets	**566,236**	456,746
Intangible assets	**7,116,930**	7,599,286
TOTAL NON-CURRENT ASSETS	**30,580,284**	17,680,625
TOTAL ASSETS	**82,281,024**	66,816,628

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Note 2 - Parent Information (Cont'd)

	2011 $	2010 $
CURRENT LIABILITIES		
Trade and other payables	36,546,264	30,987,780
Financial liabilities	9,180,283	10,005,909
Current tax liabilities	373,285	85,451
Provisions	531,634	432,816
TOTAL CURRENT LIABILITIES	46,631,466	41,511,956
NON-CURRENT LIABILITIES		
Trade and other payables	74,427	96,489
Financial liabilities	13,085,704	11,174,145
TOTAL NON-CURRENT LIABILITIES	13,160,131	11,270,634
TOTAL LIABILITIES	59,791,597	52,782,590
NET ASSETS	22,489,427	14,034,038
EQUITY		
Issued capital	9,879,407	3,227,777
Retained earnings	12,610,020	10,806,261
TOTAL EQUITY	22,489,427	14,034,038

STATEMENT OF COMPREHENSIVE INCOME

	2011 $	2010 $
Revenue	279,591,645	268,969,539
Other income	740,843	731,999
Cost of sales	(254,693,122)	(244,622,860)
Gross profit	25,639,366	25,078,678
Member and advertising expenses	(284,502)	(530,860)
Occupancy expenses	(1,471,055)	(1,447,656)
Administration expenses	(3,666,051)	(4,228,270)
Employment and contract expenses	(13,374,113)	(13,939,109)
IT expenses	(341,774)	(252,533)
Earnings before interest, depreciation and amortisation	6,501,871	4,680,250
Interest expenses	(2,033,348)	(1,485,736)
Amortisation, depreciation and impairment	(895,588)	(653,963)
Profit before income tax	3,572,935	2,540,551
Income tax expense	(689,177)	(828,458)
Profit attributable to members of the parent entity	2,883,758	1,712,093

Note 2 - Parent Information (Cont'd)

Guarantees

Leading Edge Group Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries, except for those guarantees given in relation to the purchase of the Telstra Business Centre Melbourne East by TBC Group Pty Ltd and its associated leases.

Contingent liabilities

Potential exists from a claim from Telstra against commissions paid to one of the Buying Groups Members for an amount of approximately $200,000. Should this event occur the Buying Group will recoup the claim from the Member.

Contractual commitments

Post balance date the Parent re-financed the facility relating to the Lease/Rental book that is presently being collected by the Parent. The facility expires on the 30th June 2013. The Leasing company ceased writing business in March 2011.

Note 3 - Revenue and Other Income

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. Operating activities:			
– Buying group		**266,414,012**	260,878,125
– Telecoms		**60,537,419**	56,955,635
– Retailing		**13,399,595**	8,394,373
– Leasing		**1,153,970**	484,506
		341,504,996	326,712,639
Other revenue			
– interest received			
– related parties		**20,603**	18,000
– other persons		**6,239,502**	4,282,273
Total interest revenue on financial assets not at fair value through profit or loss		**6,260,105**	4,300,273
– other revenue		**416,736**	1,599,847
Total revenue		**348,181,837**	332,612,759
b. Total revenue and other income from continuing operations			
– attributable to members of the parent entity		**345,502,299**	330,511,244
– attributable to non-controlling interest		**2,679,538**	2,101,515
		348,181,837	332,612,759

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Note 4 - Profit for the Year

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Profit before income tax from continuing operations includes the following specific expenses			
a. **Expense**			
Cost of sales		**286,572,977**	276,859,038
Interest expense on financial liabilities not at fair value through profit or loss:			
– related parties		-	-
– other person		3,894,939	2,700,368
		3,894,939	2,700,368
Foreign currency translation losses / (gains)		**812,294**	(14,295)
Bad and doubtful debts:			
— trade receivables		**82,575**	649,988
Write-on/(off) of obsolete stock		**(116,904)**	312,210
Employee benefits		**2,474,945**	1,052,430

Note 5 - Income Tax Expense

	Note	2011 $	2010 $
a. The components of tax expense comprise:			
Current tax		**1,250,961**	270,915
Deferred tax	21	**185,466**	682,857
Recoupment of prior year tax losses		-	-
(Under)/ Over provision in respect of prior years		(504)	57,326
		1,435,923	1,011,098
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)			
— consolidated group		**1,203,521**	1,013,315
Add:			
Tax effect of:			
— difference of tax rates of subsidiaries		-	-
— other non-allowable items		**232,906**	(59,543)
— (under)/over provision for income tax in prior year		(504)	57,326
		232,402	(2,217)
Less:			
Tax effect of:			
— share of net profits of associates and joint venture entities netted directly		-	-
Income tax attributable to entity		1,435,923	1,011,098
The applicable weighted average effective tax rates are as follows:		**36%**	30%

The increase in the weighted average effective consolidated tax rate for 2011 is a result of subsidiary in UK not taking up income tax benefit from operating losses of the current year.

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Note 6 - Key Management Personnel Compensation

a.

Key Management Personnel	Position	
Cameron S. McCullagh	Chairman — Non-executive	Appointed 28 April 2010
Gavin C. Ward	Director — Executive	
David L. Mills	Director — Non-executive	
Stephen B. Humphrys	Director — Non-executive	
Simon S. Allison	Director — Executive - Finance Director	

b.

Compensation	Short-term Benefits	Post-employment	Total
2011			
Total Compensation	1,332,298	52,288	1,384,586
2010			
Total Compensation	**1,785,055**	**188,145**	**1,973,200**

Note 7 - Auditor's Remuneration

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Remuneration of the auditor of the parent entity for:			
— auditing or reviewing the financial report		**171,536**	168,936
— taxation services		**28,930**	19,000
— other fees		**15,000**	8,228
Remuneration of auditors of subsidiaries			
— auditing or reviewing the financial report by other auditors		**67,262**	**51,872**
— auditing or reviewing the financial report		**92,600**	**93,200**
— taxation services		10,800	9,300

Note 8 - Dividends

	2011	2010
Distributions paid		
Fully franked ordinary dividend at the tax rate of 30% (2010: 30%)	**1,079,999**	1,082,444
Balance of franking account at year end adjusted for franking credits arising from:	**7,035,588**	6,153,757

— payment of provision for income tax
— dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.

Note 9 - Earnings per Share

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		6,724,909	3,227,777

Note 10 - Cash and Cash Equivalents

		2011	2010
Cash at bank and in hand		5,294,062	2,901,248
Short-term bank deposits		813,070	648,010
		6,107,132	3,549,258

The effective interest rate on short-term bank deposits was 6.03% (2010: 3.2%); these deposits have an average maturity of 1 year.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

		2011	2010
Cash and cash equivalents		6,107,132	3,549,258
		6,107,132	3,549,258

Note 11 - Trade and Other Receivables

		2011	2010
CURRENT			
Trade receivables		44,198,230	43,242,224
Provision for impairment of receivables		(253,715)	(601,304)
		43,944,515	42,640,920
Other receivables		6,838,738	4,927,593
Amounts receivable from:			
— partly-owned subsidiaries		478,018	829,928
— other related parties		519,394	715,519
		7,836,150	6,473,040
		51,780,665	49,113,960
NON-CURRENT			
Lease receivables		6,673,820	4,532,149
		6,673,820	4,532,149

Note 11 - Trade and Other Receivables (Cont'd)

a.) Provision for Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the administration expense item.

	Opening Balance 01/07/2009	Charge for the Year	Amounts Written Off	Closing Balance 30/06/2010
Current receivables	531,224	649,988	579,908	601,304

	Opening Balance 01/07/2010	Charge for the Year	Amounts Written Off/(back)	Closing Balance 30/06/2011
Current receivables	601,304	82,575	(430,164)	253,715

Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 11. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia and New Zealand given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group 2011 $	Consolidated Group 2010 $
Australia	**48,061,178**	44,397,643
New Zealand	**2,405,576**	3,107,383
	50,466,754	47,505,026

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) 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 balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Note 11 - Trade and Other Receivables (Cont'd)

	Gross Amount	Past Due and Impaired	Past Due but Not Impaired >60	Within Initial Trade Terms
2011				
Trade and term receivables	38,879,701	Nil	**3,299,433**	35,580,268
Total	38,879,701	Nil	3,299,433	35,580,268
2010				
Trade and term receivables	32,533,303	Nil	**1,191,443**	31,341,860
Total	32,533,303	Nil	1,191,443	31,341,860

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, which would otherwise be past due or impaired.

Note 12 - Inventories

	Note	Consolidated Group 2011 $	2010 $
CURRENT			
Stock on hand - at cost		**4,206,512**	4,978,585
Provision for impairment of inventories		**(84,129)**	(216,711)
		4,122,383	4,761,874

Note 13 - Investments Accounted for Using the Equity Method

	Note	2011	2010
Associated companies	14a	**296,739**	329,643

Note 14 - Associated Companies

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2011 %	2010 %	Carrying amount of investment 2011 $	2010 $
Unlisted:							
Merchandise Management Centre	Jewellery Distribution	Australia	Ord	**50**	50	**1,394**	1,394

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Note 14 - Associated Companies (Cont'd)

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. Movements During the Year in Equity Accounted Investment in Associated Companies			
Balance at beginning of the financial year		**329,643**	321,670
Share of associated company's profit after income tax		**(32,904)**	7,973
Balance at end of the financial year		**296,739**	329,643
b. Equity accounted profits of associates are broken down			
Share of associate's profit/(loss) before income tax expense		**(47,006)**	11,391
Share of associate's income tax expense/(benefit)		**14,102**	(3,418)
Share of associate's profit/(loss) after income tax		**(32,904)**	7,973
c. Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates			
Current assets		**1,859,196**	1,601,549
Non-current assets		**51,504**	36,951
Total assets		**1,910,700**	1,638,500
Current liabilities		**1,319,740**	981,701
Non-current liabilities		**-**	-
Total liabilities		**1,319,740**	981,701
Net assets		**590,960**	656,799
Revenues		**3,025,981**	3,703,155
Profit/(loss) after income tax of associates		**(65,809)**	15,947

Note 15 - Financial Assets

	2011 $	2010 $
Non-current		
Shares in parent entity - at cost	**10,944**	10,944

a. **Shares in Other Related Parties**

i. Unlisted
Riverwise Pty Ltd
Principal activity is investing
Leading Edge Group Limited has a .05% (2010: 1.77%) interest in Riverwise Pty Ltd

	2011 $	2010 $
Investment at cost	**10,944**	10,944

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Note 16 - Controlled Entities

a. **Controlled Entities Consolidated**

	Note	Consolidated Group	
		2011	2010
		$	$
	Country of Incorporation		
Leading Edge Telecoms Group Pty Limited	Australia	**100**	100
Leading Edge Computer Group Pty Limited**	Australia	**100**	100
Tech Edge Solutions Pty Limited**	Australia	**100**	100
Leading Edge Home Theatre Group Pty Limited**	Australia	**100**	100
Golf Plus Pty Limited**	Australia	**100**	100
Leading Edge Technology Pty Limited**	Australia	**100**	100
Creditec Pty Limited**	Australia	**100**	100
Leading Edge Telecoms NZ Limited	New Zealand	**100**	100
Leading Edge Technologies NZ Ltd**	New Zealand	**100**	100
Retailease Pty Ltd	Australia	**100**	100
Leading Edge Music Retail Pty Ltd	Australia	**100**	100
Leading Edge Group (UK) Ltd	UK	**90**	90
Computer Care Australia Pty Ltd	Australia	**51**	51
Leading Edge Licensors Pty Limited**	Australia	**100**	100
Leading Edge Music Group Pty Limited	Australia	**51**	51
The Edge Distribution Pty Limited	Australia	**51**	51
TBC Group Pty Ltd	Australia	**100**	0

** Percentage of voting power is in proportion to ownership*

** Subsidiaries which have not traded during the period ended 30 June 2011

b. **Acquisition of Controlled Entities**

On 1st December 2010, the TBC Group purchased a telecom business.

	Fair Value $
Purchase consideration:	
— cash	8,000,000
— ordinary share of Riverwise Pty Ltd	1,000,000
Less:	
Inventories	226,288
Annual leave and long service leave	(312,469)
Bank Loan	(39,296)
Property, plant and equipment	327,389
Identifiable assets acquired and liabilities assumed	201,912
Goodwill	8,798,088

(i) The consideration paid to acquire the telecom business includes 82,236 Riverwise shares at $12.16 each issued to the vendors. The fair value of the shares has been determined based on the current market price of the shares at the date of acquisition.

(ii) The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of the telecom business.

No amount of the goodwill is deductible for tax purposes.

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Note 17 - Property, Plant and Equipment

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
PLANT AND EQUIPMENT			
Plant and equipment			
At cost		**3,652,911**	5,749,134
Accumulated depreciation		**(2,362,785)**	(3,290,471)
		1,290,126	2,458,663
Leasehold improvements			
At cost		**5,929,033**	4,028,376
Accumulated amortisation		**(3,408,921)**	(2,156,559)
Total Leasehold Improvements		**2,520,112**	1,871,817
Motor Vehicle			
At cost		**184,103**	54,641
Accumulated depreciation		**(110,908)**	(28,050)
Total Motor Vehicle		**73,195**	26,591
Total Plant and Equipment		**3,883,433**	4,357,071

a. **Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Plant and equipment $	Leasehold improvements $	Motor Vehicle $	Total $
Consolidated Group				
Balance at 30 June 2009	1,997,683	1,714,066	18,292	3,730,041
Additions (Disposals) & Reclassifications	901,218	744,940	14,181	1,660,339
Depreciation expense	(440,238)	(587,189)	(5,882)	(1,033,309)
Balance at 30 June 2010	**2,458,663**	**1,871,817**	**26,591**	**4,357,071**
Additions (Disposals), Reclassifications and other charges	**(805,041)**	**1,012,530**	**129,462**	**336,951**
Depreciation expense	**(363,496)**	**(364,235)**	**(82,858)**	**(810,589)**
Balance at 30 June 2011	**1,290,126**	**2,520,112**	**73,195**	**3,883,433**

Note 18 - Intangible Assets

	2011	2010
Goodwill		
Cost	**20,691,911**	12,089,320
Accumulated impaired losses	**(459,160)**	(459,160)
Net carrying value	**20,232,751**	11,630,160
Videoland Member Pool	**1,509,006**	1,509,006
Professional Golf Member Pool	**497,455**	497,455
Borrowing expenses		
Cost	**3,216,460**	2,371,800
Accumulated amortisation	**(1,837,184)**	(1,246,633)
Net carrying value	**1,379,276**	1,125,167

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Note 18 - Intangible Assets (Cont'd)

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Formation expenses			
Cost		**610,539**	692,557
Accumulated amortisation		**(93,888)**	(40,403)
Net carrying value		**516,651**	652,154
Trademarks, licenses and development cost			
Cost		**785,152**	136,934
Accumulated amortisation		**(94,142)**	-
Net carrying value		**691,010**	136,934
Intellectual Property		**322,277**	322,099
Computer Software			
Cost		**5,801,312**	4,696,379
Accumulated amortisation		**(3,826,843)**	(2,994,106)
Net carrying value		**1,974,469**	1,702,273
Intangible Lease			
Cost		**2,612,098**	2,966,848
Accumulated amortisation		**(2,612,098)**	(2,966,848)
Net carrying value		**-**	-
Total intangibles		**27,122,895**	17,575,248

Consolidated Group:	Goodwill $	Member Pools $	Borrowing & Formation Expenses $	Trademark & Intellectual Property $	Intangible Lease & Software $	Total
Year ended 30 June 2009						
Balance at the beginning of year	11,896,387	2,016,146	1,693,989	357,575	1,756,734	17,720,831
Additions	-	-	661,788	101,458	440,470	1,203,716
Impairment loss	(266,227)	(9,685)	-	-		(275,912)
Reclassification and other charges					(370,156)	(370,156)
Amortisation charge	-	-	(578,456)	-	(124,775)	(703,231)
Closing value at 30 June 2010	**11,630,160**	**2,006,461**	**1,777,321**	**459,033**	**1,702,273**	**17,575,248**
Additions	**8,798,088**	**-**	**762,642**	**648,396**	**1,104,933**	**11,314,059**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**
Reclassification and other charges	**(195,497)**	**-**			**24,116**	**(171,381)**
Amortisation charge	**-**	**-**	**(644,036)**	**(94,142)**	**(856,853)**	**(1,595,031)**
Closing value at 30 June 2011	**20,232,751**	**2,006,461**	**1,895,927**	**1,013,287**	**1,974,469**	**27,122,895**

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an infinite life.

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Note 18 - Intangible Assets (Cont'd)

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $

Impairment disclosure

Goodwill is allocated to cash-generating unit which are based on the Group's reporting segments.

	2011 $	2010 $
Buying Group	3,831,726	3,831,726
Telecom	16,206,705	7,604,114
Phone retail store	194,320	194,320
Total	**20,232,751**	11,630,160

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10-year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use

	Growth Rate	Growth Rate
Buying Group	**3.55**	**2.38**
Telecom	**3.55**	**2.38**

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 19 - Trade and Other Payables

	2011 $	2010 $
CURRENT		
Unsecured liabilities		
Trade payables	**37,857,312**	30,074,724
Sundry payables and accrued expenses	**3,647,407**	6,607,624
PAYG withholding	**482,953**	359,949
GST - net	**495,825**	-
	42,483,497	37,042,297
NON-CURRENT		
Unsecured liabilities		
Unearned income	-	2,089,067
Amounts payable to:		
— shareholders	**74,427**	96,489
	74,427	2,185,556

a. **Financial liabilities at amortised cost classified as trade and other payables**

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Note 20 - Borrowings

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
CURRENT			
Unsecured liabilities			
Credit card		36,823	21,564
Secured liabilities			
Bank loans	20a,b	17,552,650	18,862,707
Non-interest bearing loan	20a,b	791,142	2,450,394
		18,343,792	21,313,101
		18,380,615	21,334,665
NON-CURRENT			
Secured liabilities			
Bank loans	20a,b	16,280,610	11,354,286
Non-interest bearing loan	20a,b	1,285,013	-
		17,565,623	11,354,286

a. Total current and non-current secured liabilities:

	2011 $	2010 $
Bank loan	33,870,083	30,216,993
Non-interest bearing loan	2,076,155	2,450,394
	35,946,238	32,667,387

b. The bank loans and overdraft of the parent entity are secured by floating charge over all of the assets of the parent entity.

c. The bank loans and overdraft of the subsidiaries are secured by floating charge over all of the assets of each of the respective subsidiary.

d. The bank debt is primarily secured by first registered fixed and floating charges over the assets and undertaking of Leading Edge Group Limited, its subsidiaries and Riverwise Pty Limited (limited to the Australian entities only). Covenants imposed by the bank require the Parent entity to maintain an Interest Cover Ratio is greater than 2.5 times; and the Debt Service Cover ratio to be greater than 1.5 times.

e. A portion of the invoice discounting facility for the parent has been classified as a mixture of current and non current term debt. The facility commenced in August 2008 and is audited by the bank quarterly and subject to annual reviews confirming compliance with banking covenants as disclosed in point d above. The facility is used to fund both working capital requirements relating to the Central Billing facility of the Buying Group, and has been used historically to fund acquisitions. The long term debt of the facility has been classified on the basis that there is no requirement to repay this portion of the facility provided the Parent company meets its covenants and the facility remains on foot. The current term debt of the facility reflects the portion of the debt that was calculated as the minimum level of security offered during the financial year.

Note 21 - Tax

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. CURRENT			
Income Tax		1,010,702	12,505

Note 21 - Tax (Cont'd)

	Opening Balance $	Charged to Income $	Closing Balance $
Deferred Tax Liability			
Operating lease	117,041	(117,041)	-
Balance at 30 June 2010	117,041	(117,041)	-
Operating lease	-	242,091	242,091
Balance at 30 June 2011	-	242,091	242,091

Deferred Tax Assets	Note	Opening Balance $	Charged to Income $	Closing Balance $
Balance at 30 June 2009				
Provisions		838,442	(247,831)	590,611
Future income tax benefits attributable to tax losses		176,204	289,820	466,024
Impairment of property, plant and equipment		(21,284)	310,634	289,350
Others		-	213,193	213,193
Balance at 30 June 2010		993,362	565,816	1,559,178
Provisions		590,611	200,586	791,197
Future income tax benefits attributable to tax losses		466,024	562,853	1,028,877
Impairment of property, plant and equipment		289,350	(302,546)	(13,196)
Others		213,193	(33,336)	179,857
Balance at 30 June 2011		1,559,178	427,557	1,986,735

Note 22 - Provisions

	Long-term Employee $	Cancelled Orders $	Protection Plan $	Warranties $	Total $
Consolidated Group					
Balance at 30 June 2009	317,966	-	-	10,850	328,816
Additional provisions	147,154	-	25,000	-	172,154
Balance at 30 June 2010	465,120	-	25,000	10,850	500,970
Additional provisions	258,016	97,650	(8,622)	-	347,044
Balance at 30 June 2011	723,136	97,650	16,378	10,850	848,014

Provision for Warranties
A provision of $10,850 has been recognised for estimated warranty claims in respect of products and services sold which are still under warranty at balance date.

Provision for Long-term Employee Benefits
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 23 - Issued Capital

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
9,879,407 (2008: 3,227,777) fully paid ordinary		**9,879,407**	3,227,777

a.) **Ordinary shares**

At the beginning of year	**3,227,777**	3,227,777
Shares issued during the year		
— 30/11/2010	**6,015,000**	-
— 25/06/2011	**636,630**	-
At end of year	**9,879,407**	3,227,777

On 28 June 2011, the parent declared dividends of $1,079,999. Of this amount, the shareholder reinvested $636,630.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b.) **Capital Management**

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, redeemable preference shares, convertible preference shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

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.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The gearing ratio's for the year ended 30 June 2011 and 30 June 2010 are as follows:

	Note	2011	2010
Total borrowings		**78,429,735**	69,731,248
Less cash and cash equivalents	10	(6,107,132)	(3,549,258)
Net debt		**72,322,603**	66,181,990
Total equity		**24,567,645**	16,033,746
Total capital		**96,890,248**	82,215,736
Gearing ratio		**74.64**	**80.50**

Note 24 - Reserves

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. **Foreign Currency Translation Reserve**			
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.		**175,260**	156,714

Note 25 - Capital and Leasing Commitments

	2011 $	2010 $
a. **Operating Lease Commitments**		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	3,397,431	3,436,667
— between 12 months and 5 years	7,663,906	6,287,759
— greater than 5 years	1,349,364	8,966
	12,410,701	9,733,392

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the five-year term for an additional term of five years. The lease allows for subletting of all lease areas.

Note 26 - Contingent Liabilities and Contingent Assets

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 respect of a cross guarantee between Leading Edge Telecoms NZ Limited and Leading Edge Communications Limited whereby the instrument acts as security for the secured creditors for Leading Edge Telecoms NZ. This is as a result of the funding agreement existing in the name of Leading Edge Telecoms NZ Limited, but all assets and liabilities of the business resides in Leading Edge Communications Limited. The amount is the extent of any existing indebtedness of Leading Edge Telecoms NZ Limited to the bank at any point in time.

Related party guarantees provided by the parent entity

	2011 $	2010 $
The parent holds Bank Guarantees for the leases on Leading Edge Music Retail Pty Ltd. The Guarantees are supported by term deposits and constitute 2 to 3 Months rental.	**28,835**	28,835

Note 27 - Operating Segment

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are similar with respect to the following:

- the services provided by the segment
- the distribution method
- the type or class of customers for the services

Types of products and services by segment

(i) *Buying Group*
The central billing segment provides centralised billing services to members. All products are aggregated as one reportable segment as the products are similar in nature and distributed to similar types of customers and subject to similar regulatory environment.

(ii) *Telecoms*
Buying Group segment provides members with advertising campaign, website access, customer related services.

(iii) *Retailing*
Retailing segment are the Group's retail stores comprising mainly of telephone, music and jewellery stores.

(iv) *Leasing*
Leasing segment focuses on consumer rentals in the computer vertical of the parent. The business was established to drive sales within this vertical and is seen as a strategically important part of future business.

Basis of accounting for purposes of reporting by operating segments

a. **Accounting policies adopted**
Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. **Inter-segment transactions**
All inter-segment transactions are eliminated on consolidation of the Group's financial statements.

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

d. **Segment liabilities**
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Note 27 - Operating Segment (Cont'd)

e. **Unallocated items**

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

Segment performance

	Buying Group	Telecoms	Leasing	Retailing & Others	Total
2011					
Revenue					
External sales	266,414,012	60,537,419	1,153,970	13,399,595	341,504,996
Intersegment sales	9,650,346				9,650,346
Interest received	1,503,356	45,671	4,700,918	10,160	6,260,105
Total segment revenue	277,567,714	60,583,090	5,854,888	13,409,755	357,415,447
Reconciliation of segment revenue to group revenue					
Other revenue					416,736
Intersegment elimination					(9,650,346)
Total group revenue					348,181,837
Segment net profit from continuing operations before tax	**3,607,189**	**2,674,283**	**418,221**	**(2,687,957)**	**4,011,736**

	Buying Group	Telecoms	Leasing	Retailing	Total
2010					
Revenue					
External sales	260,878,125	56,955,635	484,506	8,394,373	326,712,639
Intersegment sales	6,045,601				6,045,601
Interest received	1,188,117	-	3,110,101	2,055	4,300,273
Total segment revenue	268,111,843	56,955,635	3,594,607	8,396,428	337,058,513
Reconciliation of segment revenue to group revenue					
Other revenue					1,599,847
Intersegment elimination					(6,045,601)
Total group revenue					332,612,759
Segment net profit from continuing operations before tax	**2,540,551**	**1,804,551**	**(168)**	**(967,216)**	**3,377,718**

Revenue by geographical region

The consolidated group's business segments are located in Australia with the telephone retailing division also having operations in New Zealand and United Kingdom.

Note 27 - Operating Segment (Cont'd)

Revenue attributable to external customers is disclosed below, based on location of the external customer:

	2011	2010
	$	$
Australia	**298,322,446**	278,732,964
New Zealand	**46,106,108**	52,140,133
United Kingdom	**3,753,283**	1,739,662
Total revenue	**348,181,837**	332,612,759

Assets by geographic region

The location of segment assets by geographic location of the assets is disclosed below:

Australia	**89,857,570**	**70,315,485**
New Zealand	**12,832,719**	**16,626,804**
United Kingdom	**2,482,325**	1,521,736
Total assets	**105,172,614**	88,464,025

Major Customers

The Group has a number of customers to whom it provides both products and services. The Group supplies central billing to a number of its buying group members which account for 76 % of the external revenue (2010: 77%).

Note 28 - Cash Flow Information

	Note	Consolidated Group 2011	2010
		$	$
a. **Reconciliation of Cash Flow from Operations with Profit after Income**			
Profit after income tax		**2,575,813**	2,427,354
Cash flows excluded from profit attributable to operating activities			
Non-cash flows in profit			
Amortisation		**730,610**	1,399,652
Depreciation		**1,675,010**	1,157,705
Bad and doubtful debt		**(347,589)**	70,080
Employee entitlements		**774,289**	88,703
Provisions		**(43,554)**	272,923
Foreign currency translation reserve		**18,546**	(107,947)
Share of associated companies net profit after income tax dividends and non-controlling interest payment for expenses		**32,904**	(68,707)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
(Increase)/decrease in trade and term		**(4,460,787)**	253,854
(Increase)/decrease in prepayments		**(513,168)**	(847,720)
(Increase)/decrease in inventories		**772,073**	662,146
Increase/(decrease) in trade payables and		**4,924,927**	(4,579,008)
Increase/(decrease) in unearned income		-	1,212,328
Increase/(decrease) in income taxes payable		**998,197**	(619,341)
Increase/(decrease) in deferred taxes payable		**(185,466)**	(682,857)
Increase/(decrease) in provisions		-	-
Cashflow from operations		**6,951,805**	639,165

Note 28 - Cash Flow Information (Cont'd)

	Note	Consolidated Group 2011 $	2010 $
b. **Credit Standby Arrangements with Banks**			
Credit facility		**8,122,367**	18,825,855
Amount utilised		**8,122,367**	11,178,176
The major facilities are summarised as follows:			
Invoice discounting		**30,000,000**	30,000,000
Line of credit			-
Line of credits facilities are arranged with a number of Australian banks with the general terms and conditions being set and agreed to annually			-
Loan Facilities		**8,122,367**	8,856,798
Interest rates are variable and subject to adjustment			

c. **Non-cash Financing Activities**

i. Share issue:

— 82,236 Riverwise shares (1,000,000 Leading Edge Group Limited consequently issued to Riverwise) were issued as part of the consideration for the purchase of TBC Group Pty Ltd.

— during the year, Leading Edge Group Limited paid dividends and Riverwise reinvested $636,630 (636,630 shares).

c. **Loan Facilities**

	2011	2010
Loan facilities	**30,000,000**	30,000,000
Amount utilised	**22,265,987**	20,030,943

The major facilities are summarised as follows:
Invoice discounting which funds the central billing facility at an interest rate of 9.35 %. This facility is subject to covenants being met by the Parent only.

Leading Edge Telecoms NZ Limited's bank loans was paid off in September 2010. Interest of 5.42% was payable on the loan.

The loan facility for Retailease at balance date was $8,122,367 at an interest rate of 8.77% .

Note 29 - Events After the Balance Sheet Date

Post balance date the Parent re-financed the facility relating to the Lease/Rental book that is presently being collected by the Parent. The facility expires on the 30th June 2013. The Leasing company ceased writing business in March 2011. This has the effect of reducing the Current Liabilities by $4,061,184.

Wallace Absolute Limited (WAB) advanced $3 million to the company with the option to convert that amount into shares in Riverwise Pty Limited (Riverwise), Leading Edge's holding company at a price of $10 per share. Riverwise also agreed to grant a put option that allows WAB to assign 50% of the cash flows it received from its subsidiary Hal Data Services Pty Ltd. If WAB is to exercise its option, the consideration would be $4.8 million (in the form of 485,700 Riverwise Redeemable Convertible Preference Shares).

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Note 29 - Events After the Balance Sheet Date (Cont'd)

Other than the matters discussed above, 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 and its controlled entities to significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

Note 30 - Related Party Transactions

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Transactions with related parties:			
a. **Ultimate Parent Company - Riverwise Pty Ltd**			
Riverwise Pty Ltd has made loans to the Group on normal commercial terms and conditions that are unsecured, at call and interest free.		**74,427**	96,489
b. **Associated Companies**			
Pursuant to an agreement between all shareholders of Merchandise Management Centre Pty Ltd, each shareholder is required to provide an interest bearing loan to Merchandise Management Centre Pty Ltd.		**339,056**	345,056
c. **Key Management Personnel**			
i. A firm in which David Mills is a partner, rendered legal services to the company during the year.			
Secretarial and directors fees		**110,000**	110,000
ii. Loans to directors on purchase of Riverwise shares from Leading Edge Group Limited.		**616,320**	617,292
iii. Moore Stephens, a firm in which Stephen Humphrys is a partner, rendered services to the company during the year		**139,343**	-

Note 31 - Financial Instruments

a. **Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Note 31 - Financial Instruments (Cont'd)

	Note	Consolidated Group	
		2011	2010
		$	$
Cash and cash equivalents	10	6,107,132	3,549,258
Loans and receivables	11	6,673,820	4,532,149
Available-for-sale financial assets:			
- at cost	15a.	10,944	10,944
Total financial assets		12,791,896	8,092,351
Financial liabilities at amortised cost			
- trade and other payables	19	42,483,497	37,042,297

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

A finance committee consisting of senior executives of the group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2011 approximately 70% of group debt is fixed. For further details on interest rate risk refer to Note 31(b)(i).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

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Note 31 - Financial Instruments (Cont'd)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

b. Financial Instruments

i. Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Consolidate Group	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 Year		1 to 5 Years		Non-Interest Bearing		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets												
Cash and cash equivalents	6.0%	4.5%	6,107,132	3,549,258	-	-	-	-	-	-	6,107,132	3,549,258
Trade and other receivables	2.9%	2.9%	-	-	51,780,665	49,113,960	6,673,820	4,532,149	-	-	58,454,485	53,646,109
Investments			-	-	-	-	-	-	307,683	340,587	307,683	340,587
Total Financial Assets			6,107,132	3,549,258	51,780,665	49,113,960	6,673,820	4,532,149	307,683	340,587	64,869,300	57,535,954
Financial Liabilities												
Trade and other payables				-	-	-	-	-	42,557,924	39,227,853	42,557,924	39,227,853
Bank loans and overdrafts	8.95%	9.69%	17,552,650	18,862,707	36,823	21,564	17,565,623	11,354,286	791,142	2,450,394	35,946,238	32,688,951
Total Financial Liabilities			17,552,650	18,862,707	36,823	21,564	17,565,623	11,354,286	43,349,066	41,678,247	78,504,162	71,916,804

ii. Net Fair Values

The carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values.

Note 32 - Company Details

The registered office of the company is:
Leading Edge Group Limited
Level 1, 3 Fitzsimons Lane
Gordon NSW 2072

The principal place of business is:
Leading Edge Group Limited
Level 1, 3 Fitzsimons Lane
Gordon NSW 2072

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 8 to 47, are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with the International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001;*
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;

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

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

Director ....
Director

Dated this 25 day of October 2011

LEADING EDGE GROUP LIMITED
ABN 68 093 019 213
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEADING EDGE GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Leading Edge Group Limited (the company) and Leading Edge Group and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled 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 and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures included reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

a. the financial report of Leading Edge Group Limited and Leading Edge Group Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

MNSA P/L

MNSA Pty Ltd

Phillip Miller
Director

Dated this 25th October 2011
Level 2, 333 George Street Sydney NSW 2000