THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **1010 Printing Group Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

1010 PRINTING GROUP LIMITED

匯 星 印 刷 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock code: 1127)

MAJOR TRANSACTION
ACQUISITION AND SUBSEQUENT CONVERSION OF CBA DEBT
AND
PROVISION OF FINANCIAL ASSISTANCE TO OPUS

A letter from the Board is set out on pages 6 to 40 of this circular.

* *For identification purpose only*

24 October 2014

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"1010 PIL"	1010 Printing International Limited, an indirect wholly owned subsidiary of the Company
"Acquisition"	the acquisition of the CBA Debt by Bookbuilders from the CBA pursuant to the Offer Letters, the details of which are set out in the announcement of the Company dated 28 July 2014
"ANZ"	Australia and New Zealand Banking Group Limited
"Announcements"	the announcements of the Company dated 28 July 2014 relating to the Acquisition and dated 4 September 2014 relating to the Standby Letter of Credit, the Loan Agreement and Recapitalisation Deed
"associates"	has the meaning ascribed to it under the Listing Rules
"ASX"	The Australian Securities Exchange
"AUS$"	Australian dollar, the lawful currency of Australia
"Bank"	a licensed bank under the Banking Ordinance (Cap. 155) of Hong Kong which issued the Standby Letter of Credit after reviewing the Standby LC Application
"Board"	the board of Directors
"Bookbuilders"	Bookbuilders BVI Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Business Day"	a day on which the banks are open for business in Sydney, New South Wales of Australia other than a Saturday, Sunday or public holiday in Sydney, New South Wales of Australia
"CBA"	Commonwealth Bank of Australia, a company incorporated in Australia, whose shares are listed on the ASX (ASX stock code: CBA)
"CBA Debt"	the outstanding debt (including charges but excluding interest) owed by OPUS to CBA under CBA Facilities as at 25 July 2014

"CBA Facilities"	the facilities provided by CBA as lender to OPUS as borrower and others dated 30 March 2012 (as amended and restated from time to time and subsequently novated to Bookbuilders), pursuant to which the lender advanced up to AUS$54.0 million (equivalent to approximately HK$367.2 million) to the borrower. As at the Latest Practicable Date, the outstanding amount owed by OPUS to Bookbuilders under the facility amount to AUS$49.9 million (equivalent to approximately HK$339.3 million)
"CBA Security"	the security interest granted by OPUS Group in favour of CBA under various security documents (including but not limited to share charge, debenture, mortgage of land) securing the indebtedness under the CBA Facilities
"Cinderella"	Cinderella Media Group Limited, a company continued in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 550)
"City Apex"	City Apex Limited, a company incorporated in the British Virgin Islands with limited liability, a controlling shareholder of the Company
"Company"	1010 Printing Group Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 1127)
"Consideration"	the amount of consideration for the sale and purchase of CBA Debt
"Conversion"	the conversion of CBA Debt (as novated by Novation Documentation) to OPUS (C) Shares pursuant to the Recapitalisation Deed
"Director(s)"	the director(s) of the Company
"EDI"	the electronic digital interface which forms part of IPALM
"Enlarged Group"	the Group and the OPUS Group
"ER2"	ER2 Holdings Limited, a company incorporated in Hong Kong with limited liability
"ERP System"	enterprise resource planning system, a software-packaged system which integrates several data sources and processes of an organisation into a single unified system

"Great Eagle"	The Great Eagle Company, Limited, a company incorporated in Hong Kong with limited liability
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	third party(ies) that is independent of the Group and connected persons of the Group
"IPALM"	Integrated Print and Logistics Management, a proprietary technology platform of OPUS Group providing customised suite of supply chain and print management tools
"Latest Practicable Date"	20 October 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan(s) advanced by Bookbuilders to OPUS under the Loan Agreement
"Loan Agreement"	an unsecured loan agreement dated 4 September 2014 and entered into between Bookbuilders as lender and OPUS as borrower
"Majority Shareholders"	the Shareholders named in this circular, i.e. LAU Chuk Kin, ER2, City Apex, Cinderella, CHEN Huangzhi, Great Eagle
"Model Code"	Model Code for Securities Transactions by the Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Non-Approval Date"	the date that is the earliest of (i) the date (if any) on which the OPUS Shareholders reject the Recapitalisation Program; (ii) the date (if any) on which the Recapitalisation Program is otherwise terminated; or (iii) the date (if any) on which the Recapitalisation Deed is terminated
"Novation Documentation"	all appropriate documentations to be executed for the purpose of giving effect to the novation of the CBA Facilities and CBA Security with Bookbuilders as one of the novating parties

"Offer Letters"	the offer letter issued by Bookbuilders to CBA on 16 July 2014 and the supplemental offer letters issued by Bookbuilders to CBA on 24 July 2014 and 25 July 2014 respectively for the Acquisition
"OPUS"	OPUS Group Limited, a company incorporated in Australia, whose shares are listed on the ASX (ASX stock code: OPG)
"OPUS (C) Shares"	the fully paid ordinary share(s) in the share capital of OPUS after the completion of OPUS Share Consolidation
"OPUS Group"	OPUS and its subsidiaries from time to time
"OPUS Options"	the 20,000,000 options granted by OPUS to Bookbuilders entitling Bookbuilders or its nominee to subscribe for 20,000,000 OPUS (C) Shares at an exercise price of AUS$0.35 (equivalent to approximately HK$2.38) per OPUS (C) Share at any time up to and including 30 September 2017
"OPUS Share(s)"	the fully paid ordinary share(s) in the share capital of OPUS
"OPUS Share Consolidation"	the consolidation of every 10 OPUS Shares into 1 OPUS (C) Share, with any fractions of a OPUS (C) Share be rounded up to the next whole number of OPUS (C) Share to be approved by OPUS Shareholders
"OPUS Share Purchase Plan"	the share purchase plan of OPUS for eligible existing OPUS Shareholders to subscribe for up to 3,000,000 OPUS (C) Shares at an issue price of AUS$0.35 (equivalent to approximately HK$2.38) per OPUS (C) Share
"OPUS Shareholder(s)"	the holder of OPUS Shares or, after the completion of OPUS Share Consolidation, the holder of OPUS (C) Shares
"Post-Acquisition Advance"	an advance of AUS$3.5 million (equivalent to approximately HK$23.8 million) from Bookbuilders to OPUS
"Recapitalisation Deed"	the recapitalisation program deed dated 4 September 2014 and entered into between Bookbuilders and OPUS
"Recapitalisation Program"	the program to restructure the capital structure of OPUS (both as regards debt and equity)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of Share(s)

"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Standby Letter of Credit"	the irrevocable standby letter of credit issued by the Bank for the benefit of ANZ on 29 August 2014
"Standby LC Application"	an application made by 1010 PIL to the Bank for the issue of the Standby Letter of Credit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction Documents"	the Offer Letters, the Standby LC Application, the Loan Agreement and the Recapitalisation Deed
"Transactions"	transactions contemplated under the Offer Letters (including the novation of CBA Debt and CBA Security), the Standby LC Application, the Loan Agreement and the Recapitalisation Deed
"USD"	the United States dollars, the lawful currency of the United States of America
"Working Capital Facility"	the uncommitted and revolving facility of up to AUS$7 million (equivalent to approximately HK$47.6 million) available to OPUS under the Loan Agreement
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of AUS$ to HK$ in this circular is based on the exchange rate of AUS$1.00 to HK$6.80. Such conversion should not be construed as a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

1010 PRINTING GROUP LIMITED
匯星印刷集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 1127)

Executive directors:
Yang Sze Chen, Peter
Lau Chuk Kin
Li Hoi, David
Lam Wing Yip

Independent non-executive directors:
Yeung Ka Sing *(Chairman)*
Lee Hau Leung
Tsui King Chung, David
Ng Lai Man, Carmen

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
Units 2&3, 5/F., Lemmi Centre
50 Hoi Yuen Road
Kwun Tong
Hong Kong

24 October 2014

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION AND SUBSEQUENT CONVERSION OF CBA DEBT
AND
PROVISION OF FINANCIAL ASSISTANCE TO OPUS

INTRODUCTION

Reference is made to the Announcements. The one dated 28 July 2014 is related to the acceptance of Offer Letters for the Acquisition of CBA Debt by Bookbuilders, an indirect wholly-owned subsidiary of the Company, whereas the one dated 4 September 2014 is related to (i) the provisions of financial assistance to OPUS through the Standby Letter of Credit and the Loan Agreement and (ii) the Conversation under the Recapitalisation Deed.

The purpose of this Circular is to provide you with, among others, (i) further information regarding the Transactions and (ii) financial and other information of the Group and OPUS Group as required under the Listing Rules.

* *For identification purpose only*

THE ACQUISITION AND CONVERSION OF CBA DEBT

On 25 July 2014, CBA accepted in-principle the Offer Letters issued by Bookbuilders, an indirectly wholly owned subsidiary of the Company, pursuant to which Bookbuilders would acquire the CBA Debt by way of novation. The Novation Documentation was signed by Bookbuilders and CBA on 30 July 2014 to reflect the terms of Offer Letters and other conditions suggested by CBA when giving its acceptance in-principle.

On 4 September 2014, Bookbuilders (as creditor) and OPUS (as debtor) entered into the Recapitalisation Deed which involves the Conversion of the CBA Debt into OPUS(C) Shares.

ACCEPTANCE OF OFFER LETTERS ON 25 JULY 2014

Details of the Offer Letters are as follows:

Date:	25 July 2014 (after trading hours)
Parties:	Bookbuilders BVI Limited, an indirect wholly-owned subsidiary of the Company Commonwealth Bank of Australia (i.e. CBA) To the best knowledge, information and belief of the Directors and having made all reasonable enquiry, CBA and its ultimate beneficial owners are Independent Third Parties.

Assets to be Acquired: CBA Debt

The CBA Debt represents the debt (including charges but not interest) due from OPUS Group to CBA under the CBA Facilities, which included the following facilities:

	Facility	Date	Facility Amount as at 25 July 2014 AUS$	HK$ (Approximate)
1.	Tranche A1	30 March 2012, as amended and restated by a third variation deed dated 16 October 2013, as further amended by letters dated 23 December 2013 and 28 February 2014, and as otherwise varied or amended from time to time	20.8 million	141.4 million
2.	Tranche A2	same as above	14.8 million	100.6 million
3.	Tranche B	same as above	14.4 million	97.9 million
4.	Multi-Option Working Capital Facility	same as above	1.5 million	10.2 million

The CBA Facilities made available to OPUS Group contained financial covenants typical for facilities of similar nature. The facility required compliance with stipulated interest cover ratio, leverage ratio, debt service ratio, limits on the OPUS Group's capital expenditure, EBITA (earning before interest, tax and amortisation) test and cash test. Due to the unsatisfactory business performance and financial position of the OPUS Group during the year ended 30 June 2014, OPUS failed to meet some specified covenant requirements.

As at 25 July 2014, the amount of CBA Debt was approximately AUS$51.4 million (equivalent to approximately HK$349.5 million), all of which were due and payable as a result of OPUS's failure to meet several covenant requirements under the CBA Facilities.

The CBA Debt were secured under the CBA Security.

The interest rate of the CBA Debt ranges from 8.12% to 20% per annum.

To the understanding of the Company, despite the Acquisition, OPUS has agreed to pay CBA AUS$1.9 million (equivalent to approximately HK$12.9 million) together with interest at a rate of 6% per annum on 30 July 2015.

Effect of the Acquisition: As a result of the Acquisition, Bookbuilders has assumed the rights and obligations of CBA as lender and security holder under the CBA Facilities and the CBA Security respectively and has become OPUS Group's new senior financier.

The Novation Documentation was entered into between Bookbuilders and CBA on 30 July 2014. As at 30 July 2014, the amount of CBA Debt was approximately AUS$51.6 million (equivalent to approximately HK$350.9 million). After the novation, Bookbuilders agreed to (i) defer the repayment date of the CBA Debt; (ii) waived the covenant requirements under the CBA Facilities to 15 November 2014; and (iii) reduce the interest rate of the CBA Debt to 6% for a three-month period.

On 4 September 2014, Bookbuilders entered into the Loan Agreement with OPUS, the details of which are disclosed under the section "**PROVISION OF FURTHER FINANCIAL ASSISTANCE – Loan Agreement**".

All CBA Security, which consists of the following, was also novated to Bookbuilders on 30 July 2014:

	Security	Date	Security Party
1.	First and fixed charges on all present and future assets	18 May 2012	C.O.S. Printers Pte Limited
2.	All investment securities, present and future property, assets and undertaking	30 April 2012	OPUS Group NZ Holding Limited Omnigraphics Limited Cactus Imaging Limited Ligare Limited F'Displays Limited F'Digital Limited
3.	All investment securities, present and future property, assets and undertaking	30 March 2012	McPherson's Printing Pty. Limited OPUS
4.	Mortgage of Land	30 March 2012	McPherson's Printing Pty Limited

5. First fixed charge on all its present and future rights, title and interest in and to, present and future shares and dividends in the C.O.S Printer Pte Limited	30 April 2012	OPUS Group NZ Holdings Limited
6. All investment securities held in any person incorporated under the laws of New Zealand	30 March 2012	OPUS
7. All present and future property and assets and undertaking	30 April 2012	Cactus Imaging Holdings Pty Limited Cactus Imaging Pty Limited CanPrint Holdings Limited Union Offset Co Pty Limited CanPrint Communication Pty Limited Integrated Print and Logistics Management Pty Limited OPUS Group (Australia) Pty Limited Ligare Pty Limited

Consideration: AUS$20.88 million (equivalent to approximately HK$141.98 million).

The Consideration is lower than the actual outstanding amount of the CBA Debt and was determined on an arm's length basis as a result of negotiations after taking into account, among others, the outstanding amount of CBA Debt, the value of the CBA Security (which is and was substantially higher than the amount of Consideration), the recoverability of the CBA Debt and the restructuring prospect of the debts of OPUS Group and the profit potential of OPUS Group.

As at 25 July 2014, the outstanding amount of CBA Debt was approximately AUS$51.4 million (equivalent to approximately HK$349.5 million). As at 30 June 2014, the value of the CBA Security and the amount of cash were approximately AUS$41.7 million and AUS$3.5 million (equivalent to approximately HK$283.6 million and HK$23.8 million) respectively. Taking further account of other current liabilities of OPUS in the sum of approximately AUS$22.8 million (equivalent to approximately HK$155.0 million) due immediately or shortly after 30 June 2014 and the losses which OPUS Group incurred in the three financial years ended 30 June 2014, the Directors were of the view that it might be difficult for CBA to recover the full amount of the CBA Debt and thus the Group negotiated with CBA for the Acquisition at a substantial discount.

On the other hand, the Board considered the potential benefit to be brought to the Group on the Group becoming the majority shareholder of OPUS if the negotiation for Conversion is successful and the Recapitalisation Plan comes to reality.

In light of the above factors, the Board considered that the consideration for acquiring CBA Debt was fair and reasonable.

Terms of Payment: The Consideration shall be payable and has been paid by way of cash to the CBA upon the execution of the Novation Documentation. As agreed by the parties, the Consideration was paid by Bookbuilders on 31 July 2014.

The Consideration is funded by the internal resources of the Group and bank loans from commercial banks available to the Company.

Other Major Terms: Bookbuilders has undertaken in the Novation Documentation to have the bank guarantees and/or performance bonds currently issued or provided by CBA in relation to OPUS Group, which is estimated to be of around AUS$1 million (equivalent to approximately HK$6.8 million), replaced within 30 days after 30 July 2014.

In this connection, 1010 PIL made the Standby LC Application and the Bank issued on 29 August 2014 the Standby Letter of Credit in favour of ANZ for and on behalf of OPUS Group, the details of which are disclosed under the section "**PROVISION OF FURTHER FINANCIAL ASSISTANCE – Grant of Standby Letter of Credit**" below.

RECAPITALISATION DEED

Details of the Recapitalisation Deed are as follows:

Date: 4 September 2014 (before trading hours)

Parties:

1. Bookbuilders, as the financier

2. OPUS, as the debtor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, OPUS and its ultimate beneficial owners are Independent Third Parties.

Conversion and Forgiveness of CBA Debt: Subject to the terms and conditions of the Recapitalisation Deed and the approval of the Recapitalisation Program by the OPUS Shareholders, Bookbuilders agrees to convert approximately AUS$20.88 million (equivalent to approximately HK$141.98 million), representing the entire consideration paid by Bookbuilders to acquire the CBA Debt, to 59,657,143 OPUS (C) Shares and forgive the balance of principal amount of CBA Debt under the CBA Facilities (as novated by the Novation Documentation). The price for Conversion of each OPUS (C) Share is AUS$0.35 (equivalent to approximately HK$2.38).

Any interest, costs remain due and owing under the CBA Facilities and the principal, interest and costs under the Working Capital Facility (and the Post-Acquisition Advance) remain valid and enforceable notwithstanding the Conversion.

Grant of Options: OPUS intends to use its best endeavour to grant to Bookbuilders without premium the OPUS Options for Bookbuilders or its nominee to subscribe for up to 20,000,000 OPUS (C) Shares at an exercise price of AUS$0.35 (equivalent to approximately HK$2.38) per OPUS (C) Share at any time up to and including 30 September 2017.

Basis for Conversion and Subscription under OPUS Options: The ratio of Conversion and the exercise price of the OPUS Options were determined after arm's length negotiations between the Group and OPUS and with reference to the issue price of other new OPUS (C) Shares in the Recapitalisation Program, the recent trading price of OPUS Shares and the effect of OPUS Share Consolidation, the financial position of OPUS Group before the implementation of Recapitalisation Program and the business prospect of OPUS Group after the completion of the Recapitalisation Program.

The trading price of OPUS Shares ranged between AUS$0.03 (equivalent to approximately HK$0.20) and AUS$0.06 (equivalent to approximately HK$0.41) during the 6-month period from 19 February 2014 (being the date after OPUS announced that it had lost a major printing contract) to 18 August 2014. The volume weighted average price during that period was AUS$0.05 (equivalent to approximately HK$0.34) per OPUS Share.

The Board recognised that the trading price of OPUS Shares during that period was adversely affected by the net liabilities and net losses of OPUS. However, given the management expertise, market niche and competitive advantage of OPUS Group, the details of which are disclosed in the sections headed **"INFORMATION ON OPUS GROUP – Management Expertise" and "INFORMATION ON OPUS GROUP – Market niche and competitive advantages"** of this circular, it is expected that OPUS Group will have net cash and will not be subject to the financial and operational instability which it has experienced in the recent period after the forgiveness and the implementation of rationalisation plan by OPUS. It is further expected that the OPUS Group's cash flow will be improved materially as it will not have to make any material interest or principal repayments other than (i) on the residual unsecured loan of AUS$1.9 million (equivalent to approximately HK$12.9 million) owed to CBA, (ii) on the financial lease liabilities of about AUS$2.6 million (equivalent to approximately HK$17.7 million) and (iii) on the Working Capital Facility of up to AUS$7 million (equivalent to approximately HK$47.6 million). The Directors believed that without the enormous burden of debt and financing charges, OPUS Group would be able to better capitalise on its competitive advantage and turn around its business.

Further, the Conversion and the grant of OPUS Options form part of the Recapitalisation Program. Under that program, OPUS would also place a maximum of 23,000,000 OPUS (C) Shares at the same price as the price for Conversion and the exercise price of OPUS Option (i.e., AUS$0.35 (equivalent to approximately HK$2.38) each) to its director and related party, other existing OPUS Shareholders and professional and sophisticated investors.

Having considered (i) the above factors and (ii) the effect of OPUS Share Consolidation, the Directors were of the view that the ratio of Conversion (or the conversion price of OPUS (C) Shares) and the exercise price of OPUS Options were fair and reasonable.

Conditions Precedent: The obligations of Bookbuilders and OPUS under the Recapitalisation Deed in respect of the Conversion are conditional upon and subject to the following:

(a) OPUS Shareholder Approval

Approval of OPUS Shareholders for the issue of OPUS (C) Shares as a result of the Conversion and the OPUS Options.

(b) Independent Expert

If OPUS, acting reasonably, considers an independent expert report is required for any or all elements of the Recapitalisation Program, that independent expert concludes that the Recapitalisation Program is fair and reasonable to OPUS Shareholders.

(c) Restraints

No permanent restraint, order or injunction is issued by the Takeover Panel of Australia or any court of competent jurisdiction or other legal restraint or prohibition preventing any aspect of the Conversion and the issue of OPUS Option.

(d) Material Adverse Change

No event or circumstance which in the reasonable opinion of Bookbuilders would have or would be likely to have an adverse effect on OPUS or adversely make a material effect on the price or value of the OPUS's equity securities.

(e) Warranties

The warranties in the Recapitalisation Deed are true and correct.

(f) Obligors' acknowledgement

Each of the subsidiaries of OPUS referred to as the "Obligors" in the CBA Facilities provides a written acknowledgement and agreement acknowledging its indebtedness to Bookbuilders in respect of the outstanding interest and costs in a form satisfactory to Bookbuilders.

Issue of OPUS (C) Shares and Option Certificate: Within 6 Business Days of obtaining OPUS Shareholders' approval for the issue of OPUS (C) Shares as a result of the Conversion and the OPUS Options, OPUS shall issue the OPUS Shares in relation to the Conversion and the OPUS Option certificates.

Information on the Recapitalisation Program

The Conversion is part of the Recapitalisation Program which comprises the following:

(a) the OPUS Share Consolidation;

(b) the Conversion;

(c) the forgiveness by Bookbuilders of the balance of the principal amount owing to it by the OPUS Group under the CBA Facilities (as novated by the Novation Documentation) which is not converted as part of the Conversion;

(d) the issue of OPUS Options;

(e) the placement of a total of 8,571,429 OPUS (C) Shares to a director of OPUS and his related party at an issue price of AUS$0.35 (equivalent to approximately HK$2.38) per OPUS (C) Share;

(f) the placement of a cumulative total of 11,428,571 OPUS (C) Shares to professional and sophisticated investors at an issue price of AUS$0.35 (equivalent to approximately HK$2.38) per OPUS (C) Share; and

(g) the OPUS Share Purchase Plan.

The management of OPUS assessed that after the Conversion and the forgiveness of the remaining CBA Debt, OPUS Group has a need of raising a sum of roughly AUS$8.0 million (equivalent to approximately HK$54.4 million) in the following 12 months to implement its business plan so as to sustain its business operation and turn around its business and the placement of new OPUS (C) Shares to its director and professional investors presented an suitable opportunity for OPUS to satisfy its funding needs without affecting its liability position. Similarly, OPUS launched the OPUS Share Purchase Plan, which offers an opportunity to persons who were registered as OPUS Shareholders on 3 September 2014 to subscribe for a maximum of 3,000,000 OPUS (C) Shares at AUS$0.35 (equivalent to approximately HK$2.38) per OPUS (C) Share to raise up to AUS$1.1 million (equivalent to approximately HK$7.5 million). This also provides an appropriate channel for OPUS Group to raise further funds and better its financial position.

Meanwhile, the grant of OPUS Options will give an opportunity to the Group to invest further in OPUS when the Group sees greater profit potential of OPUS in the future and to OPUS to obtain further capital to fund its development where necessary without incurring liabilities. In the event of the Group's exercise of OPUS Options, the Company will comply with the applicable requirements under Chapter 14 of the Listing Rules.

The Recapitalisation Program is subject to, among others, the approval of the ASX, Australian Securities and Investments Commission and OPUS Shareholders. The meeting of OPUS Shareholders to approve the Recapitalisation Program is to be held on 24 October 2014.

If the Recapitalisation Program is approved, the OPUS (C) Shares in relation to the Conversion and the OPUS Option Certificate is expected to be issued in early November 2014.

Effect on Shareholding Structure of OPUS

The table below shows the shareholding structure of OPUS in different stages of implementation of the Recapitalisation Program and before and after the exercise of the OPUS Options based on the following assumptions:

(a) no new OPUS Shares are allotted and issued before the completion of OPUS Share Consolidation;

(b) no new OPUS (C) Shares other than those allotted and issued for the purpose of implementing the Recapitalisation Program are allotted and issued before (i) the completion of such program and (ii) the exercise of OPUS Options in full; and

(c) the eligible OPUS Shareholders subscribe for all 3,000,000 OPUS (C) Shares in full under the OPUS Share Purchase Plan.

	After the OPUS Share Consolidation but before implementation of other part of Recapitalisation Plan		After the implementation of the Recapitalisation Program (other than the OPUS Share Purchase Plan) and before the exercise of OPUS Options		After the implementation of the Recapitalisation Program but before the exercise of OPUS Options		After the implementation of the Recapitalisation Program and after the exercise of OPUS Options in full	
	No. of OPUS (C) Shares	Approximate % Shareholding	No. of OPUS (C) Shares	Approximate % Shareholding	No. of OPUS (C) Shares	Approximate % Shareholding	No. of OPUS (C) Shares	Approximate % Shareholding
Bookbuilders	0	0.00	59,657,143	62.95	59,657,143	61.02	79,657,143	67.64
A director of OPUS and his related party	3,701,572	24.49	12,273,001	12.95	12,273,001	12.55	12,273,001	10.42
All other OPUS Shareholders	11,410,656	75.51	22,839,227	24.10	25,839,227	26.43	25,839,227	21.94
Total	15,112,228	100.00	94,769,371	100.00	97,769,371	100.00	117,769,371	100.00

PROVISION OF FINANCIAL ASSISTANCE TO OPUS

Subsequent to the completion of the Acquisition but before the entering into of the Recapitalisation Deed, Bookbuilders made a Post-Acquisition Advance of AUS$3.5 million (equivalent to approximately HK$23.8 million) to OPUS, and the advance of such loan itself does not give rise to any disclosure obligation under the Listing Rules. Subsequent to the Post-Acquisition Advance, the Group entered into a series of transactions involving the provision of further financial assistance as follows:

(a) the grant of Standby Letter of Credit by the Bank on 29 August 2014 following the Standby LC Application made by 1010 PIL; and

(b) the Loan Agreement dated 4 September 2014 and entered into between Bookbuilders and OPUS.

Details of the Standby Letter of Credit (and the Standby LC Application) and the Loan Agreement are as follows:

Grant of Standby Letter of Credit

Date: 29 August 2014

Parties: 1. the Bank, as the issuer of the Standby Letter of Credit

2. 1010 PIL, an indirect wholly owned subsidiary of the Company, as the applicant in the Standby LC Application

3. ANZ, as the beneficiary

To the best knowledge, information and belief of the Directors and having made all reasonable enquiry, the Bank, ANZ and its ultimate beneficial owners are Independent Third Parties.

Extent of Liability: Pursuant to the terms of Standby LC Application, 1010 PIL applied for the issue of the Standby Letter of Credit by the Bank for the benefit of ANZ to secure for the payment of principal, interest, costs and other amounts due from OPUS Group to ANZ.

The maximum amount of liability under the Standby Letter of Credit is AUS$1 million (equivalent to approximately HK$6.8 million), which was determined on an arm's length basis between the Group and ANZ after taking into account the ability of OPUS Group to pay the amount due and payable to ANZ and the prospect of success of the capital restructuring of OPUS Group.

Provision of Security to the Issuing Bank: To secure the obligations under the Standby Letter of Credit, 1010 PIL grants, recognises and admits that the Bank will have lien on and security interest in all goods, documents, instruments, securities, and so on in which the 1010 PIL may have interest or obtain any interest in connection with the credit provided under the Standby Letter of Credit or any underlying transaction. 1010 PIL also assigns all its claims in respect of any transaction underlying such credit.

Term: From 29 August 2014 to 27 August 2015

Collateral: The OPUS Group has not provided any collateral to 1010 PIL in relation to the Standby LC Application.

Loan Agreement

Date: 4 September 2014

Parties:

1. Bookbuilders, an indirect wholly-owned subsidiary of the Company, as the lender

2. OPUS, as the borrower

To the best knowledge, information and belief of the Directors and having made all reasonable enquiry, OPUS and its ultimate beneficial owners are Independent Third Parties.

Loan Amount: Pursuant to the Loan Agreement, Bookbuilders agreed to make available to OPUS the Working Capital Facility of up to AUS$7 million (equivalent to approximately HK$47.6 million) to OPUS for the sole purpose of financing the working capital requirements of OPUS.

The maximum amount of the Loan was determined on an arm's length basis after taking into account the financial position of OPUS, the recoverability of the Loan, the prospect of success for restructuring of the debts of OPUS Group and the profit potential of OPUS Group.

The Loan is funded by the internal resources of the Group.

Conditions to Advance of Loan: The Working Capital Facility is an uncommitted facility and Bookbuilders has no obligation under the Loan Agreement to provide a Loan for OPUS, other than subject to the conditions and on the basis provided for in the Loan Agreement.

During the term of the Working Capital Facility, OPUS may request Bookbuilders to provide a Loan (or Loans) and Bookbuilders will provide the requested Loan(s) to OPUS on the terms of the Loan Agreement if and only if certain conditions are met, including that the total of all amounts advanced (inclusive of the requested Loan) to OPUS and outstanding from time to time during the term under the Working Capital Facility (and any other facility provided by Bookbuilders to OPUS) do not exceed (and will not exceed after the requested Loan is provided to OPUS) AUS$7 million (equivalent to approximately HK$47.6 million).

Term: From 4 September 2014 to the earlier of (i) the end of 2 years after the date of Loan Agreement (i.e. 4 September 2016) or (ii) the Non-Approval Date.

Repayment: The Loan is repayable by the end of the term.

Interest Rate: 6% per annum

Collateral: The Loan advanced to OPUS is unsecured.

Post-Acquisition Advance: Bookbuilders and OPUS agreed that the Post-Acquisition Advance and any accrued interest are immediately due and payable by OPUS to Bookbuilders. In effect, the Post-Acquisition Advance was replaced by a Loan of an equivalent amount under the Loan Agreement.

INFORMATION ON CBA

CBA, whose shares are listed on the Australian Securities Exchange, is principally engaged in the provision of a board range of banking and financial products and services to retail, small business, corporate and institutional clients mainly in Australia, New Zealand and the Asia Pacific region.

INFORMATION ON OPUS GROUP

OPUS is an Asia-Pacific business services group, comprising two operational platforms being Publishing Services and Outdoor Media.

History

OPUS was founded in 2007 with the acquisition of Ligare Pty Ltd. Since that date, the company acquired a number of other entities. Following the implementation of the merger between the OPUS Group and MPG Printing Limited, the shares of OPUS was listed on the ASX on 10 April 2012. The past 18 months has been an extremely challenging period for OPUS Group as it was required to carry out its business under the burden of a very high level of debt (relative to earnings) and with constraints such as high financing charges.

Financial performance

The following table shows the audited consolidated losses of OPUS before and after taxation for each of the three financial years ended 30 June 2014 as extracted from the Financial Information of OPUS Group as included in Appendix II to this circular.

	Approximate Amount of Audited Consolidated Losses of OPUS			
For the year ended	**Before taxation**		**After taxation**	
	(AUS$'000)	*(HK$'000)*	*(AUS$'000)*	*(HK$'000)*
30 June 2012	841	5,719	1,794	12,199
30 June 2013 (as restated)	588	3,998	2,847	19,360
30 June 2014	42,308	287,694	47,073	320,096

Reasons for net losses

The net losses for the three financial years ended 30 June 2014 was attributable to the difficult trading conditions in general. For the year ended 30 June 2012, the soft conditions were exacerbated by the collapse of a large book retail chain in Australia, which resulted in abnormally high levels of surplus stock in the market, lowering the demand for book printing services. For the year ended 30 June 2013, the impact of cut backs on spending of the Federal Government of Australia, which is one of the key customers of OPUS Group, had a significant adverse impact on the performance of OPUS.

The net losses of OPUS was enlarged for the year ended 30 June 2014 because of the goodwill impairment charge arising from the reduction in earnings generated through the loss of a long-term customer, as well as the generally difficult trading environment in the publishing services market.

The management of OPUS Group indicated that customer concerns regarding OPUS' financial position (particularly its high debt level) adversely impacted OPUS Group's ability to retain and win new work in the year ended 30 June 2014. This made the trading environment of OPUS Group, in particular in the publishing service market contributing over 80% of revenue of OPUS Group, generally difficult. In February 2014, OPUS announced that its tender to a major publishing house for book printing in Australia was unsuccessful and OPUS believed that the tender was competitive. Whilst the loss of this contract had some effect on the second half results for the year ended 30 June 2014, the main impact will be reflected in the financial year ended 30 June 2015.

Goodwill impairment for the year ended 30 June 2014

OPUS acquired a number of subsidiaries and assets and merger with MPG Printing Limited since its formation in 2007. Goodwill arose during the merger and acquisition. Details of its goodwill allocated in each division in the past two financial years are as follows:

	For the year ended			
	30 June 2013		**30 June 2014**	
	AUD$'000	*HK$'000*	*AUD$'000*	*HK$'000*
	(Approximate)	*(Approximate)*	*(Approximate)*	*(Approximate)*
Publishing Services Division in Australia	30,148	205,006	–	–
Publishing Services Division in Singapore	16,602	112,894	10,334	70,271
Outdoor Media Division in Australia	6,445	43,826	6,445	43,826
Total goodwill	**53,195**	**361,726**	**16,779**	**114,097**

During the year ended 30 June 2014, OPUS recognised impairment charge of AUD$38,088,000 (equivalent to approximately HK$258,999,000) against the goodwill relating to Publishing Services Division in Australia and Singapore. The impairment charge is a direct result of the downgrade in earnings generated from operations by Publishing Services Division in Australia and Singapore. The loss of a major customer in Publishing Services Division in Australia and the tough trading environment in the Publishing Services market caused the profit downgrade. The impairment of Publishing Services Division in Singapore was a result of a more conservative assessment of future cash flows.

Asset and Liabilities

According to the audited consolidated financial information of OPUS prepared in compliance with International Financial Reporting Standards, the audited net asset values of OPUS as at 30 June 2012 and 30 June 2013 (as restated) were approximately AUS$34.5 million (equivalent to approximately HK$234.6 million) and AUS$32.0 million (equivalent to approximately HK$217.6 million) and the audited net liabilities of OPUS Group as at 30 June 2014 were approximately AUS$9.5 million (equivalent to approximately HK$64.6 million) respectively.

Business model

OPUS Group is an Asia-Pacific, technology based (Australian headquartered) business services group, servicing two operational platforms – Publishing Services and Outdoor Media. Employing a dynamic technology platform, the OPUS Group produces and distributes published content at the speed and scale required by a range of increasingly global customers.

Publishing Services Division

The Publishing Services Division is integral to the publishing cycle of the professional and educational publishers. It provides digital and offset printing, and other ancillary business services including digital asset management, content management, back-catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing.

The factories and production facilities in Sydney and Auckland are suited to printing and binding short to medium-run titles with rapid turnaround (often within 2-3 days) for local customers; and providing print and fulfil-on-demand services. The Sydney and Auckland factories and facilities focus on printing commercial publications.

The factories and facilities in Maryborough mainly publish books and some commercial printing materials. Different from the factories in Sydney and Auckland, the factories and facilities also handle medium to long-run titles and less time sensitive orders.

OPUS' Singaporean operation predominantly aimed at export customers who place orders for financial and commercial publications or other types of books. The factories and facilities in Singapore are suited to printing and binding short to long-run titles.

Government publications are printed in the factories and facilities in Canberra. Such factories have specialist capabilities of producing highly confidential, timely and security-sensitive work. Production facility in Canberra mainly offers (i) security printing and binding services, (ii) business services combined with IPALM and (iii) warehousing and fulfilment services. The members of OPUS Group in Canberra are entrusted to manage the production of, and deliver to the Australian parliament the Australian federal budget for many years.

With factories and production facilities operating in Singapore, Sydney, Canberra, Maryborough and Auckland, the Publishing Services Division offer spans the electronic, digital and offset book production spectrum with a suite of complementary business services including Print on Demand, back catalogue fulfilment, content and digital asset management, direct to consumer distribution, virtual warehousing, web storefront and EDI and mailing.

Customers in the Publishing Services Division can access multiple content and service delivery options across traditional print, digital print-on-demand, distribute & print and online electronic delivery.

Outdoor Media Division

The Outdoor Media Division is the largest provider of grand and large format printing for outdoor advertising and is leading production house in both Sydney and Auckland.

This involves the creation, production and distribution of outdoor media advertising material and corporate signage, such as billboards, bus advertising, retail displays, building and vehicle wraps and trade exhibitions using a wide variety of flexible or rigid materials including vinyl, mesh, paper, canvas, cloth, wood, glass and plastic. The majority of work performed by the Outdoor Media Division consists of billboards and posters and requires a rapid turnaround to meet strict advertising campaign deadlines.

The Outdoor Media Division offers a full range of finishing services including joining, rope edging, hemming, eyeleting, sleeve finishing, installation and removal. Each item is tailored to its installation site based on a comprehensive proprietary database of site specifications.

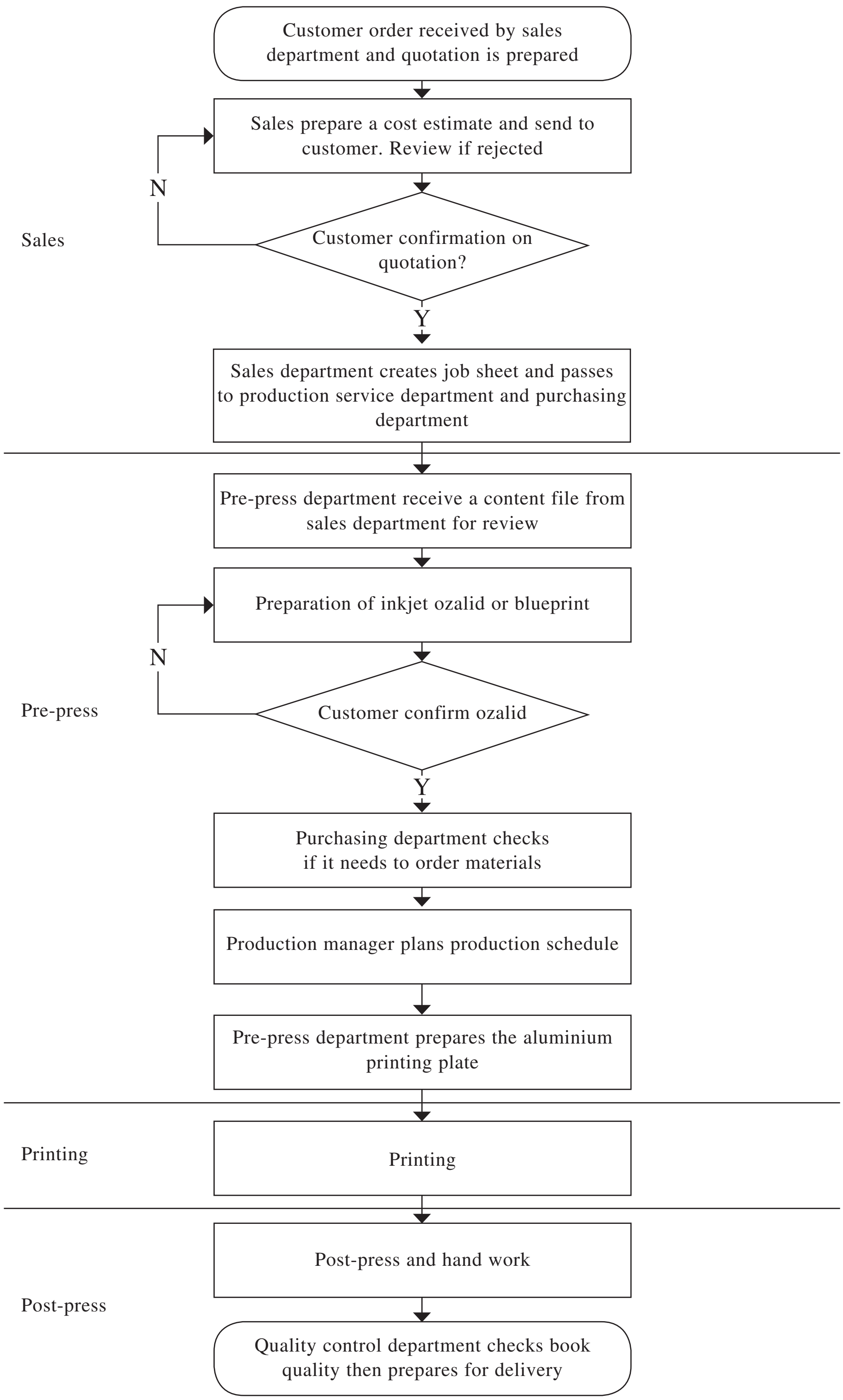
The OPUS Group offering includes a regional end-to-end value chain with facilities in Singapore, Sydney, Maryborough, Canberra and Auckland. OPUS's innovative regional solutions enable it to handle business services and technology-led communications solutions for Asia Pacific. The regional solution allows customers to select the optimal content solution based on product type, run length, timing, location, security and fulfilment.

OPUS Group's vision is to be the partner of choice to produce and deliver published content faster and smarter via an integrated full service end-to-end value chain.

Operational flow

Publishing Services Division

The operational flow of the Publishing Services Division of OPUS is substantially similar to that of the Group. The following flowchart is a general overview of the production process of the Publishing Services Division:



Sales

After receiving customer orders and requests for quotations, the sales department prepares a cost estimate. When the purchase order is confirmed, the sales department forwards the information to the purchasing department and the production manager. The purchasing department checks if it needs to order any raw materials for the production and the production manager has to plan for the production schedule.

Pre-press

The order enters the pre-press stage when the job sheet is sent by the sales department and the electronic content files to the pre-press department. Pre-press typically includes a series of steps which are taken to prepare an electronic file or film for printing production.

Once the file has been checked and imposed, the pre-press department will prepare an inkjet ozalid or blueprint together with the colour proof of the product for the customer's review, comment and approval.

Once the ozalids or blueprints have been approved by the customer, the production department will transfer the images of each of the film positives or negatives onto an aluminium printing plate for printing. The aluminium printing plates are then passed to the printing department for mounting onto a cylindrical blanket on the printing machine. After the machines have been set up and adjusted, the printed sheets will be checked against the colour proofs and blueprints. Once this has been approved, the job will commence its full print run.

Apart from undergoing the above pre-press processes, OPUS may also process jobs by the digital press. In such case, no pre-press process is required. Printing is started directly upon receiving customers' electronic file.

Post press

Once printing has been completed, the printed sheets must undergo post-press finishing so that it can take its final form. Depending upon the customers' specific requirement, Post-press operations typically involve folding, collating, sewing and casing in of the individually printed sheets.

The finished goods are inspected and compared with the blue print to ensure the required qualities and standards are attained.

Quality assurance

Quality assurance is performed to examine the product's quality against the accepted standard of quality level at every stage of the production process. Incoming raw materials, such as paper and ink, are periodically tested against customers' technical specifications. Colours are matched against the customer's approved blue print. Finished goods undergo a number of tests and visual inspections, before being packaged and delivered to ensure the exact specifications of the customers are met.

Packaging and delivery

The logistics department is responsible for the planning, coordination and overall logistics in relation to packaging and delivery of finished products. The department reserves vehicle/container space according to the logistics information as set out in the customer order and coordinates with the relevant parties including OPUS Group's warehousing and operations departments. The logistics department produces a loading list and packing list upon the loading of goods onto vehicles and distributes the documents to each of the clearing and sales departments.

Outdoor Media Division

In relation to the Outdoor Media Division, the general operational flow is largely similar to that of the Publishing Services Division save and except that the printing work needs not undergo the process of post press. Besides, after OPUS conducts final round of examination to the finished products, it will install the printed work in the manner as required by the customers.

Major revenue source

OPUS is a leading provider of predominantly print services to the Australian Federal Government and has a broad array of longstanding blue chip customers encompassing global and local publishers (e.g. Wiley, Lexis Nexis), government departments and agencies (e.g. Australian Bureau of Statistics), global media companies (eg. oOh! media), advertising agencies (eg. Ogilvy & Mather), and other companies (eg. Westfield). OPUS offers a diversified earnings profile through ownership of Australasia's leading producer of outdoor advertising media. For the year ended 30 June 2014, the five largest customers accounted for approximately 23% of the revenue of OPUS Group.

As discussed above, OPUS Group operates in two distinct operating segments: Publishing Services and Outdoor Media.

The revenue of OPUS for the year ended 30 June 2014 comprises the following:

	Revenue		**Percentage of Contribution of revenue**
	AUS$'000 (Approximate)	*HK$'000 (Approximate)*	
Publishing Services	95,491	649,339	81.7%
Outdoor Media	21,382	145,398	18.3%
Total	116,873	794,737	100%

Costs components

Costs of OPUS mainly comprises cost of procurement of raw materials (which are mainly papers), freight and other production costs, employee benefits expenses, occupancy costs, depreciation and amortisation, impairment, finance expenses etc.

The costs components of OPUS for the year ended 30 June 2014 are set out as follows:

Cost Components	**Amount**	
	AUS$'000 *(Approximate)*	*HK$'000* *(Approximate)*
Raw materials	(34,149)	(232,213)
Other production costs and freight	(19,058)	(129,594)
Employee benefits expense	(40,499)	(275,393)
Occupancy costs	(5,417)	(36,836)
Depreciation and amortisation expense	(7,070)	(48,076)
Impairment of goodwill	(38,088)	(258,998)
Impairment of investment in associate	(182)	(1,238)
Realised foreign exchange loss	(52)	(354)
Other expenses	(8,517)	(57,916)
Finance expenses	(7,303)	(49,660)

Major Suppliers

The main raw materials used by OPUS Group include paper, ink, printing plates, chemical glue and plastic boards. Paper, however, is OPUS Group's principal raw materials and thus the two largest suppliers are paper manufacturers. OPUS Group mainly purchases paper from paper trading companies in Australia. Suppliers are typically reviewed for their financial stability before they are accepted by the Group as a constant supplier.

Scale of operation

OPUS has installed offset printing machinery ranging from two-colour offset press to ten-colour offset press and digital press in its production facilities in Singapore, Sydney, Maryborough, Canberra and Auckland. OPUS has also installed binding machineries. The OPUS's printing facilities are competitive, flexible and scalable to meet the changing requirements.

Management expertise

The management team is highly credentialed with deep sector experience. Mr. Richard Celarc, the executive director of OPUS, co-founded Ligare, one of the OPUS subsidiary, in Australia in 1979 and grew the business into the largest specialist book printer in New South Wales. Having been a print business owner for over 30 years, Mr. Celarc has a wealth of industry knowledge and operational experience. Mr Brigstocke is chief executive officer of OPUS. He has an extensive publishing industry experience including 10 years in operational and sales and marketing roles, and as a member of the senior executive team, with Thomson Reuters in Australia.

Market niche and competitive advantages

OPUS Group's key success formula is to combine the three strengths of specialisation, speed and scale. OPUS Group provides full service capability for specialist markets based on factors such as quality, technical capability, specialised equipment, unique expertise and high value add services. OPUS is a leader in short run, time sensitive printing and business services. OPUS is aligned to meet clients' needs on speed through new digital technology. OPUS is uniquely positioned to deliver a range of complementary products and business services across multiple regions.

Full-ranged service

OPUS provides integrated full service value chain capability for the specialist Divisional segments across a range of delivery platforms including traditional print and online electronic delivery.

Wide geographical presence

OPUS has an established and strategically positioned geographic operating footprint. It has formed strategic alliance partnerships with a number of printers in complementary geographies. These partnerships allow OPUS to offer print-on-demand and distribution and print services in these countries and to surrounding regions. The Singaporean operation is also able to fulfil larger and less time sensitive orders, while the Maryborough and Singapore facilities are also capable of producing medium to long run titles, with Singapore predominantly aimed at export customers.

Leading Technology

OPUS uses leading proprietary technology (IPALM®) within its Digital service offering to enable end-to-end digital production, content management, fulfilment and delivery solutions.

Experienced Management

As explained in the "**Management Expertise**" above, OPUS has a team of experienced management. The pool of valuable knowledge and skills in the management team has been critical to the production process and the development of the business as a whole. With their experience and technical expertise in publishing services and outdoor media services, the management possesses the depth of industry knowledge and market and vision required for the business.

Future development

Recognising the changing dynamics of the local and global print industry, the OPUS strategy is to be the leading technology driven, business services group in the Asia Pacific region and the preferred partner to many of the world's largest publishers.

The OPUS business model is designed to scale and capitalise on global, regional and local opportunities. OPUS efforts have been focused on increasing its products and services to integrate content more closely as part of the customers value chain and support the trend of customers ordering shorter print runs, more often and with faster turnaround times.

The majority of capital reinvestment is now being directed towards new digital equipment and finishing solutions to improve turnaround times and productivity as well as increased investment in the OPUS proprietary digital asset management and workflow system, IPALM®. OPUS targeted to improve its profitability with minimal capital investment. This can be achieved by increasing its utilization of the existing digital printers.

Over the next 3 years, OPUS intends to significantly focus on earning growth and deliver enhanced profitability. The capital requirement in the near future will not be significant.

In parallel with this and to offset any decline in print related products, OPUS has been steadily building its range of non-print products and services as part of the comprehensive solution offer. Known as OPUS Digital, this includes but is not limited to micro-warehousing, fulfilment offers, e-book conversions, database mailing, web site development and management, subscription and marketing services, both physical and online.

Financing plan

In order to deliver the strategic intent and financial goals of the business activities, OPUS needs an appropriate level of debt and equity financing to support the underlying operations. The management of OPUS assessed its existing financial status and targeted to raise a sum of roughly AUS$8.0 million (equivalent to approximately HK$54.4 million) through the Recapitalisation Program to meet its working capital requirement after the Conversion and the forgiveness of the CBA Debt.

Once implemented, the proposed recapitalisation will enable OPUS's business to move forward on a strong and fully funded basis. The Group will have remaining (i) an unsecured promissory note owed to CBA for AUS$1.9 million (equivalent to approximately HK$12.9 million), repayable on 31 July 2015 and (ii) finance leases liabilities of about AUS$2.6 million (equivalent to approximately HK$17.7 million); and (iii) Working Capital Facility of up to AUS$7 million (equivalent to approximately HK$47.6 million).

INFORMATION ON THE BANK

The Bank is a licensed bank in Hong Kong of international repute providing banking services for consumers, corporations, governments and institutions with a broad range of financial products and services.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

OPUS is an Asia-Pacific, technology based full service provider of print and digital content production, management and distribution solutions. OPUS employs a flexible technology platform that allows it to produce and distribute published content to suit the timing and scale requirements of a range of customer segments.

OPUS has significant global capability offering an end-to-end value chain through modern facilities in Singapore, Sydney, Maryborough, Canberra and Auckland and further global reach via strategic content distribution alliances in North America, the United Kingdom, Europe, the Philippines and China.

As disclosed in the announcement of the Company dated 28 July 2014 in relation to the Acquisition, the Acquisition would enable the Group as a secured creditor of OPUS Group to explore different possibilities with OPUS Group in restructuring the debt of OPUS Group. After the Acquisition, the Group has been in negotiation with OPUS Group in restructuring the debt of OPUS Group with the aim to gaining control of OPUS. Upon completion of Conversion, the Company will effectively become the ultimate majority shareholder of the OPUS Group and the financial results of OPUS Group will be consolidated into the financial statements of the Group. Subject to the approval of OPUS Shareholders, Mr. LAU Chuk Kin, an executive director of the Company, will also join the board of directors of OPUS.

The Board is of the view that the Acquisition and the Conversion are the most important move to maintain the operation and stabilise the business of OPUS Group. It is expected that after the implementation of Recapitalisation Program, of which the Conversion and the forgiveness of the remaining principal of the CBA Debt form part, OPUS Group will be of sound financial standing. It will also be able to operate without the burden of financial charges. In addition, the Group has provided further financial assistance through the Standby Letter of Credit for OPUS Group and the Working Capital Facility under the Loan Agreement to support the funding needs of OPUS Group in the following 12 months. These actions will remove the doubt of customers regarding OPUS Group’s ability to remain as a going concern and is expected to assist OPUS to retain and win new work. Further, the Directors believe that OPUS Group will be able to gain further business and improve its financial position by leveraging on (i) the clientele base of the Group mainly based in Australia; (ii) the greater bargaining power when sourcing raw materials together with the Group; and (iii) the enhanced operational efficiency as a result of sharing marketing and technology information and knowledge with the Group and the application of the ERP System. Thus, the Group has no present intention to interfere with the existing business plan or rationalisation plan of OPUS group or inject further capital in the business of OPUS or increase its shareholding in OPUS following the full implementation of the Recapitalisation Program. The Group will support the current senior management team to continue the operation of the existing business plans and projects of OPUS in substantially the same manner as they are currently being conducted. It will also support the current rationalisation plan which is being implemented by the OPUS Group which will result in a number of employees being made redundant. The provision of financial assistance also demonstrates the Group’s willingness to commit for the development of OPUS Group and may in some way facilitate the Group to gain support from the OPUS Shareholders on the Recapitalisation Program including the Conversion.

The printing industry consists of printing and print-related services, predominantly pre-press, binding, finishing and logistics, outsourced to print companies. The industry can be segmented by both product types (which include publications, packaging, promotion and stationery) and customer types (which include publishers, commercial, government and manufacturer). The Group is concentrated in providing book printing services for international major book publishers, trade, professional and educational publishing conglomerates and print media companies, whereas OPUS provides a wider range of product types, such as publications, promotion and stationery, to a greater variety of customers, including publishers, corporates and government. OPUS has been steadily building its range of non-print products and services as part of the comprehensive solution offer. This includes but is not limited to micro-warehousing, fulfilment offers, e-book conversions, database mailing, web site development and management, subscription and marketing services, both physical and online.

Following the Acquisition and the Conversion, the business of OPUS will supplement that of the Group and the Group can ride on OPUS established platform to expand and diversify its services and customers base.

In view of the competitive advantage of OPUS Group in utilising its technology to deliver innovative solutions for customers across multiple specialist divisions speedily and in large scale, the Company considers that the Conversion may bring synergy to the current business of the Group and enable the Group to further expand its businesses in Asia Pacific region.

In light of the reasons above, and taking into account the relatively small amount, the short term and the extent and quantum of liability of the Group under the Standby Letter of Credit in terms of percentage ratios and the current financial position of OPUS Group, the Directors are of the view that the terms of the Transactions are fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION AND CONVERSION

Assets and Liabilities

Upon the completion of Conversion, OPUS will become an indirect non-wholly owned subsidiary of the Company and their results will be fully consolidated with that of the Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effect of the Acquisition and the Conversion on the assets and liabilities of the Group assuming completion of the Conversion had taken place on 30 June 2014. Based on the unaudited pro forma financial information of the Enlarged Group, the consolidated total assets of the Enlarged Group would increase from approximately HK$996.3 million to HK$1,386.4 million and the consolidated total liabilities of the Enlarged Group would increase from approximately HK$308.5 million to approximately HK$493.8 million. The consolidated net assets of the Enlarged Group would increase from approximately HK$687.7 million to HK$892.6 million.

The unaudited pro forma financial information has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not reflect the true financial position of the Enlarged Group as at the date of completion of the Conversion or any future date. Moreover, since the actual fair values of the assets, liabilities and contingent liabilities of OPUS as at the completion of Conversion would be different from their estimated fair values used in the preparation of the audited financial statement as at 30 June 2014, the actual financial effects of the Acquisition and the Conversion might be materially different from the financial position as shown in Appendix III to this circular.

Earnings

Immediately following the successful implementation of the Recapitalisation Program, the OPUS Group will only have (i) an outstanding unsecured promissory note of AUS$1.9 million (equivalent to approximately HK$12.9 million) owed to CBA and repayable on 31 July 2015; (ii) finance lease liabilities of AUS$2.6 million (equivalent to approximately HK$17.7 million); and (iii) the Working Capital Facility of up to AUS$7 million (equivalent to approximately HK$47.6 million). The financing costs of OPUS Group will be significantly reduced and OPUS Group will be of sound financial standing, in particular, after the Group's provision of further financial assistance (through the Standby Letter of Credit and the Working Capital Facility). The existing customers of OPUS Group are expected to regain confidence and place new orders on OPUS Group. OPUS Group may also gain more business from the clients of the Group after the Conversion. On the other hand, the directors of OPUS have also taken a number of actions to improve the OPUS Group's profitability and expect an improvement in its operating results. Efficiency gain will be achieved through rationalisation of its cost base by a reduction of headcount and overtime following the increase in overall labour efficiency. In August 2014, OPUS Group has announced approximately 70 redundancies at an additional cost of approximately AUS$2.5 million (equivalent to approximately HK$17.0 million). The rationalisation program is expected to complete in October 2014. After the completion of the program, the OPUS Group is expected to save around AUS$4.0 million (equivalent to approximately HK$27.2 million) on staff expenses per year. Apart from that, it will also save cost of sourcing raw materials and have greater operational efficiency by sharing marketing and technology information and knowledge with the Group and applying the ERP System of the Group. In light of the improvement of financial position, the above cost control measures, the business potential of OPUS, the ability of OPUS Group and the Group to complement each other and provide products for a global client base with Asian and Australian facilities, it is expected that OPUS will contribute positively to the results of the Group in the future after Completion.

Save as described above, the Transactions are not expected to have any material impact on earnings, assets and liabilities of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OF OPUS

Revenue and Profit after Taxation

For each of the three financial years ended 30 June 2014, OPUS recorded revenue of approximately AUS$96.1 million (equivalent to approximately HK$653.5 million), AUS$116.8 million (as restated and equivalent to approximately HK$794.2 million), AUS$116.9 million (equivalent to approximately HK$794.9 million) respectively and loss after taxation of AUS$1.8 million (equivalent to approximately HK$12.2 million), AUS$2.8 million (as restated and equivalent to approximately HK$19.0 million) and AUS$47.1 million (equivalent to approximately HK$320.3 million) respectively.

Segmental Information

Publishing Services Division

The Publishing Services Division is responsible for the production, management and distribution of printed and digital content for professional, educational, read for pleasure, Government and many of the world's largest publishers.

With factories and facilities operating in Singapore, Sydney, Canberra, Maryborough and Auckland, the Publishing Services Division offer spans the electronic, digital and offset book production spectrum with a suite of complementary business services including Print on Demand, back catalogue fulfilment, content and digital asset management, direct to consumer distribution, virtual warehousing, web storefront and EDI and mailing.

Customers in the Publishing Services Division can access multiple content and service delivery options across traditional print, digital print-on-demand, distribute & print and online electronic delivery.

Outdoor Media Division

The Outdoor Media Division is the largest provider of grand and large format printing for outdoor advertising and is leading production house in both Sydney and Auckland.

The Division involves the creation, production and distribution of outdoor media advertising material and corporate signage, such as billboards, bus advertising, retail displays, building and vehicle wraps and trade exhibitions using a wide variety of flexible or rigid materials and offering a full range of in-house finishing.

The Outdoor Media Division remains at the forefront of industry development for new and exciting products and technologies and is a member of the Hewlett Packard global advisory board on technology and innovation.

The table below shows the revenue generated from the operating activities of the Publishing Services Division and Outdoor Media Division for the two years ended 30 June 2014:

	Years ended 30 June				**% change**
	2013		**2014**		
	AUS$'000 *(as restated)*	*HK$'000*	*AUS$'000*	*HK$'000*	
Publishing Services Division	97,159	660,681	95,491	649,339	(2%)
Outdoor Media Division	19,665	133,722	21,382	145,398	9%
Total	116,824	794,403	116,873	794,737	

Liquidity, Financial Resources and Capital Structure

The OPUS Group meets its funding needs with cash generated from its operating activities, borrowings from financial institutions and funds raised from finance lease. As at 30 June 2014, the OPUS Group reported a loss after tax of around AUS$47.1 million (equivalent to around HK$320.3 million) and had current liabilities of around AUS$74.1 million (equivalent to around HK$503.9 million), which includes the CBA Debt.

Cash and Cash Equivalents

As at 30 June 2012, 2013 and 2014, OPUS Group had cash and cash equivalents of approximately AUS$4.4 million (equivalent to approximately HK$29.9 million), AUS$3.2 million (as restated and equivalent to approximately HK$21.8 million) and AUS$3.5 million (equivalent to approximately HK$23.8 million) respectively. The cash and cash equivalents of OPUS Group are held in AUS$, New Zealand dollars and Singaporean dollars.

Loans

As at 30 June 2012, 2013 and 2014, OPUS Group had short-term loans amounting to approximately AUS$5.4 million (equivalent to approximately HK$36.8 million), AUS$27.5 million (as restated and equivalent to approximately HK$187 million) and AUS$51.3 million (equivalent to approximately HK$348.8 million) respectively.

OPUS Group has overdraft facility agreements, loan commitment and line agreements with financial institutions in order to effectively procure operating capital.

As at 30 June 2012, 2013 and 2014, OPUS Group had a maximum amount of overdraft facility and committed loan of approximately AUS$67.5 million (equivalent to approximately HK$459.0 million), AUS$56.4 million (as restated and equivalent to approximately HK$383.5 million) and AUS$51.3 million (equivalent to approximately HK$348.8 million) respectively. As at 30 June 2012, 2013 and 2014, OPUS Group had outstanding unexecuted loans amounting to approximately AUS$2.1 million (equivalent to approximately HK$14.3 million), AUS$1.5 million (as restated and equivalent to approximately HK$10.2 million) and AUS$nil (equivalent to approximately HK$nil) respectively.

As at 30 June 2012, 2013 and 2014, OPUS Group borrowed long-term loans amounting to approximately AUS$58.1 million (equivalent to approximately HK$395.1 million), AUS$26.4 million (as restated and equivalent to approximately HK$179.5 million) and AUS$nil (equivalent to approximately HK$nil) respectively. The significant decrease of long-term loans of OPUS Group as of 30 June 2014 was a result of breach of covenants under the CBA Facilities during the year ended 30 June 2014. The breach of covenant made the long-term loans immediately due and payable.

The maturity of the bank loans is as follows:

	Year ended 30 June					
	2012		2013		2014	
	Approximate Amount		Approximate Amount		Approximate Amount	
	(AUS$'000)	*(HK$'000)*	*(AUS$'000)* *(as restated)*	*(HK$'000)*	*(AUS$'000)*	*(HK$'000)*
Within one year	5,400	36,720	27,463	186,748	51,282	348,718
More than one year but within two years	5,300	36,040	5,300	36,040	–	–
More than two years but within five years	52,800	359,040	21,121	143,623	–	–
More than five years	–	–	–	–	–	–
	63,500	431,800	53,884	366,411	51,282	348,718

As at 30 June 2014, all loans of OPUS Group were substantively denominated in AUS$ and with fixed interest rates or under interest swap agreement with CBA.

Interest Rate Structure

As at 30 June 2012, 2013 and 2014, OPUS Group had loans with fixed-interest loans of approximately AUS$nil (equivalent to approximately HK$nil), AUS$nil (equivalent to approximately HK$nil) and AUS$14.2 million (equivalent to approximately HK$96.6 million) respectively.

As at 30 June 2012, 2013 and 2014, other loans carried weighted average effective interest rates of 8.2%, 8.8% and 9.1% respectively.

Capital Instrument

OPUS Group enters into interest rate swap transactions for the purpose of hedging against fluctuations in interest rates in loans. Derivative transaction is conducted only to hedge against the risk of fluctuations in loan interest rates, and not for speculative purposes. As at 30 June 2012, 2013 and 2014, OPUS Group had contracts for interest rate swap transactions which cover loan amounting to approximately AUS$48.8 million (equivalent to approximately HK$331.8 million), AUS$45.0 million (as restated and equivalent to approximately HK$306.0 million) and AUS$41.8 million (equivalent to approximately HK$284.2 million) respectively. On 31 July 2014. the hedging agreement was cancelled with no charge in accordance with the Novation Documentation.

Other Financial Obligations

(A) Convertible notes

As at 30 June 2012, 2013 and 2014, OPUS Group had convertible notes of approximately AUS$nil (equivalent to approximately HK$nil), AUS$3.1 million (as restated and equivalent to approximately HK$21.1 million) and AUS$nil (equivalent to approximately HK$nil) respectively. The convertible notes carrying interest at 15% per annum were converted into equity in early 2014.

(B) Finance lease liabilities

As at 30 June 2012, 2013 and 2014, OPUS Group had finance lease liabilities amounting to approximately AUS$3.8 million (equivalent to approximately HK$25.8 million), AUS$3.1 million (equivalent to approximately HK$21.1 million), AUS$2.6 million (equivalent to approximately HK$17.7 million) respectively. The finance lease carry interest ranging from 5.6% to 13.9%.

The maturity of the financial lease liabilities is as follows:

	Year ended 30 June					
	2012		**2013**		**2014**	
	Approximate Amount		**Approximate Amount**		**Approximate Amount**	
	(AUS$'000)	*(HK$'000)*	*(AUS$'000)* *(as restated)*	*(HK$'000)*	*(AUS$'000)*	*(HK$'000)*
Within one year	776	5,277	863	5,868	1,182	8,038
More than one year but within two years	863	5,868	927	6,304	917	6,236
More than two years but within five years	2,142	14,566	1,317	8,956	481	3,271
More than five years	–	–	–	–	–	–
	3,781	25,711	3,107	21,128	2,580	17,545

Subsequent Events

After the novation, the Group agreed to (i) defer the repayment date of the CBA Debt; (ii) waived the covenants requirements under the CBA Facilities to 15 November 2014; and (iii) reduce the interest rate of the CBA Debt to 6% for a three-month period.

Conditional upon the successful implementation of the Recapitalisation Program, it is expected that the OPUS Group's business will move forward on a strong and fully funded basis. The OPUS Group will have (i) an outstanding unsecured promissory note of AUS$1.9 million (equivalent to approximately HK$12.9 million) owed to the CBA and repayable on 31 July 2015; (ii) finance lease liabilities of about AUS$2.6 million (equivalent to approximately HK$17.7 million); and (iii) the Working Capital Facility of up to AUS$7.0 million (equivalent to approximately HK$47.6 million).

Gearing ratio

The gearing ratio is calculated as total liabilities divided by shareholders' equity. As at 30 June 2012, 2013 and 2014, the gearing ratios of OPUS Group were 271%, 265% and -804% respectively.

Significant Investments

There was no significant investment held by OPUS Group for all the three years ended 30 June 2014.

Acquisition and Disposal of Subsidiaries

On 5 April 2013, OPUS acquired selected assets and the revenue base of the Blue Star Group Australia's business in Canberra. After the acquisition, the combined businesses operate from the existing CanPrint facility in Canberra under the CanPrint brand.

Employee Information

As at 30 June 2012, 30 June 2013 and 30 June 2014, OPUS Group employed a total of 619, 550 and 527 employees respectively. OPUS recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefits provided to the employees by OPUS include training, bonus scheme and the statutory retirement scheme.

Charge of assets

As at 30 June 2012, 30 June 2013 and 30 June 2014, OPUS obtained banking facilities of approximately AUS$67.5 million (equivalent to approximately HK$459.0 million), AUS$56.4 million (equivalent to approximately HK$383.5 million) and AUS$51.3 million (equivalent to approximately HK$348.8 million) respectively. The banking facilities are secured by a charge over the assets and undertaking of all OPUS subsidiaries.

After the completion of Conversion, the outstanding principal of the CBA Debt would be forgiven and the charge securing the indebtedness under the CBA Facilities (as novated by the Novation Documentation) would be released accordingly.

Foreign Exchange

OPUS was exposed to foreign currency risks through certain sales and purchases which give rise to small amount of payables and balances that are denominated in foreign currencies, being primarily USD. Given the insignificant amount (less than AUS$0.20 million (equivalent to approximately HK$1.36 million) as at 30 June 2014), OPUS considers the risk of movements in exchange rate between AUS$ and the USD to be insignificant.

Contingent Liabilities

There were no contingent liabilities as at 30 June 2012, 30 June 2013 and 30 June 2014.

Future Plans for Significant Investment

There is no plan for material investment or capital assets.

LISTING RULES IMPLICATION

As an amount exceeding 8% under the assets ratios would be due from OPUS following the execution of the Novation Documentation, the Acquisition would give rise an advance to an entity pursuant to Rule 13.13 of the Listing Rules and was thus subject to the relevant disclosure requirements under Chapter 13 of the Listing Rules.

The Post-Acquisition Advance and the grant of the Standby Letter of Credit do not give rise to any disclosure requirement when each of them is considered on a standalone basis.

However, when the Group successfully procure the Bank to issue the Standby Letter of Credit in favour of ANZ, the total amount of liability of the Group in relation to the Standby Letter of Credit and the Post-Acquisition Advance exceeded 3% of the assets ratios and were therefore subject to the disclosure requirements under Rule 13.14 and 13.15 of the Listing Rules.

Further, since the provision of financial assistance through the Standby Letter of Credit, the Loan Agreement, the Conversion (i.e. previously, the Acquisition) and the grant of OPUS Option to Bookbuilders amount to a series of transactions concerning the capital restructuring of OPUS, they are aggregated for the purpose of Chapter 14 of the Listing Rules.

On aggregation, as one or more of the applicable percentage ratios in respect of the Transactions are more than 25% but less than 100%, the Transactions constitute a major transaction for the Company and are thus subject to the relevant announcement, reporting and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, none of the Shareholders has a material interest in the Transaction Documents and the Transactions, and if the Company was to convene a special general meeting for the approval of the Transaction Documents and the Transactions, none of the Shareholders is required to abstain from voting.

A closely allied group of Shareholders directly interested in approximately 50.15% of the entire issued share capital of the Company gave their written approval for the Transactions pursuant to Rule 14.44 of the Listing Rules. As the dates on which the written approval were given, such Shareholders held over 50% of issued share capital of the Company:

Name of shareholder	No. of shares held	Approximate Percentage shareholding in the Company
LAU Chuk Kin *(Note 1)*	35,371,906	4.59%
ER2	8,297,391	1.08%
City Apex	258,135,326	33.52%
Cinderella	678,910	0.09%
CHEN Huangzhi *(Note 2)*	52,299,804	6.79%
Great Eagle *(Note 3)*	31,387,503	4.08%
Total:	386,170,840	50.15%

Note 1: LAU Chuk Kin is entitled to exercise more than one-third of the voting power in ER2, City Apex and Cinderella and they are also deemed as parties acting in concert for the purpose of the Takeovers Code.

Note 2: Together with LAU Chuk Kin, ER2, City Apex and Cinderella, CHEN Huangzhi was one of the founding Shareholders of the Group and they have been Shareholders since June 2011. Being a founding Shareholder and a senior management of the Group, Mr. CHEN has been aligning his interest with that of Mr. LAU and his associates and voted in the same manner with all other Majority Shareholders on routine resolution at annual general meetings.

Note 3: Great Eagle is a wholly owned subsidiary of Great Eagle Holdings Limited, which indirectly held 23% of issued shares of City Apex. Each of Great Eagle Holdings Limited and Great Eagle is therefore deemed as parties acting in concert for the purpose of the Takeovers Code with LAU Chuk Kin, ER2, City Apex and Cinderella. Great Eagle was one of the shareholders of Cinderella which were entitled to subscribe for Shares in the listing exercise of the Company. Great Eagle has been a Shareholder since July 2011 and voted in the same way with all other Majority Shareholders on routine resolution at annual general meetings.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on OPUS prepared in accordance with Chapter 4 of the Listing Rules. The accountants' report of OPUS needs to include the financial information of OPUS Group for each of the three financial years ended 30 June 2014 prepared using accounting policies which should be materially consistent with those of the Company.

Reason for the Application

For the reasons below, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules such that the Company is not required to include an accountants' report on OPUS in this circular:

(a) OPUS is a company incorporated in Australia and its shares are listed on the ASX. The consolidated financial statements of OPUS for each of the three financial years ended 30 June 2014 were prepared in accordance with Australian Accounting Standards, other authoritative pronouncement of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 of Australia and comply with IFRS. OPUS has also been publishing financial information to the market on a regular basis to enable investors to assess its activities and financial position.

(b) The consolidated financial statements of OPUS for the three years ended 30 June 2014 were audited in accordance with the Australian Auditing Standards by PricewaterhouseCoopers Australia, a chartered firm of the Institute of Chartered Accountants in Australia and a member firm of PricewaterhouseCoopers global network. PricewaterhouseCoopers is one of the four leading professional services networks in the world providing assurance, tax and advisory services with offices in 157 countries and has an international name and reputation and has extensive experience in auditing financial information of public companies, including those listed on the Stock Exchange. Given the consolidated financial statements comply with IFRS and were audited, the Directors believe it will be more cost and time effective to use such financial statements for the purpose of this circular.

(c) OPUS has 16 subsidiaries having business in various countries in the Asia Pacific Region. If the Company has to fully comply with Rule 14.67(6)(a)(i), it will have to incur additional time and substantial costs to engage an audit firm in Hong Kong to conduct audit work and prepare an accountants' report for the Acquisition and Conversion in strict compliance with the Listing Rules. The Directors are of the view that the alternative disclosure as described in detail below will provide sufficient information for the Shareholders and it will be in the interest of the Company and the Shareholders as a whole.

Alternative Disclosure

In place of the accountants' report on OPUS to be prepared in accordance with Chapter 4 of the Listing Rules, the following disclosure has been included in this circular:

(a) the audited financial information for each of the three financial years ended 30 June 2014 prepared in accordance with the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 of Australia and in compliance with International Financial Reporting Standards and audited by PricewaterhouseCoopers in accordance with the Australian Auditing Standards;

(b) a summary of material differences between the accounting policies adopted by OPUS and those adopted by the Company, including a line-by-line reconciliation of the consolidated statements of income and consolidated balance sheets, addressing the material differences, other than presentational differences, which would have a significant effect on OPUS' financial statements had they been prepared in accordance with the accounting policies presently adopted by the Company and reported on by BDO Limited in accordance with Hong Kong Standard of Assurance Engagements 3000; and

(c) if applicable, supplemental financial information of OPUS for each of the three financial years ended 30 June 2014, which is required for an accountants' report under the Listing Rules but has not been disclosed in the published accounts of OPUS excluding the information required under Rule 4.08(3) of the Listing Rules.

The Directors considered that the published financial disclosure concerning OPUS Group and the additional financial disclosure as mentioned above will afford the Shareholders with all material information necessary to assess the financial performance of OPUS throughout the past three financial years, such information being broadly commensurate in all material respects to the disclosure that would otherwise have been provided if an accountants' report on OPUS is produced under Rule 14.67(6)(a)(i) of the Listing Rules.

GENERAL

The principal businesses of the Group comprise provision of printing services, graphic design service to international book publishers, trade, professional and educational publishing conglomerates and print media companies, production and distribution of books and publications and investment holding. The Group established customer network mainly in the United States, Australia and the United Kingdom.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
1010 Printing Group Limited
Lau Chuk Kin
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the year ended 31 December 2011, 2012 and 2013 are disclosed in the annual reports of the Company for the three years ended 31 December 2011, 2012 and 2013, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.1010printing.com).

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 August 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$170,730,000, comprising (1) bank borrowings of approximately HK$139,385,000; (2) promissory note to the bank of HK$13,680,000 and (3) obligation under finance lease of HK$17,665,000. The bank borrowings of approximately HK$88,761,000 were secured by the corporate guarantee provided by the Company; bank borrowings of approximately HK$3,200,000 were secured by both the Company and the Government of the Hong Kong Special Administrative Region; bank borrowings of approximately HK$39,364,000 were secured by the corporate guarantee provided by the Company, 1010 PIL and Asia Pacific Offset Limited; and bank borrowings of HK$8,060,000 was secured by the Group's leasehold land and buildings and investment properties, the corporate guarantee of the Company, and a personal guarantee provided by one of the executive directors of the Company.

Pledge of assets

At 31 August 2014, the Enlarged Group has pledged bank deposits of HK$10,062,000 to a bank to secure the facilities granted to the OPUS Group. Leasehold land and buildings and investment properties with net book amount of HK$11,101,000 and HK$4,033,000 respectively were pledged to secure bank borrowings granted to the Group. Net carrying amount of assets held under finance lease were approximately HK$21,595,000.

Disclaimer

Save as aforesaid or as otherwise disclosed in this circular, apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 August 2014, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

For the purpose of the indebtedness statement, foreign currency amounts have been converted into Hong Kong dollars at the approximate rates of exchange prevailing as at date of indebtedness statement.

The Directors confirmed that there is no material adverse change in the Enlarged Group's indebtedness position and contingent liabilities from 31 August 2014 to the Latest Practicable Date.

3. WORKING CAPITAL

In the absence of any unforeseen circumstances, the Directors, after due and careful enquiry, are of opinion that, following the completion of the Acquisition and after taking into account the financial resources available to the Enlarged Group, the Enlarged Group will have sufficient working capital for its requirement for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

Upon the completion of the Recapitalisation Program, the Enlarged Group will continue to be engaged in the provision of printing services to international book publishers, trade, professional and educational publishing conglomerates and large format printing for outdoor advertising.

The Group's turnover for the six months ended 30 June 2014 was HK$559.4 million which increased by 3.2% as compared with the same period in the previous year. Despite the adverse trading environment, the Group managed to minimise the erosion of margin through prudent management of our exposure to foreign exchange risks and stringent control of finance costs. The Group's net profit increased by 8.8% to HK$56.6 million for the six months ended 30 June 2014 compared with the corresponding period of 2013. OPUS's turnover for the year ended 30 June 2014 was AUS$116.9 million (equivalent to approximately HK$794.9 million) which increased slightly compared with the same period in the previous year. Despite the generally difficult trading environment for the publishing service market for the year ended 30 June 2014, the global book publishing industry showed signs of moderate growth in the last quarter of 2013 and that momentum has continued in the first half of 2014. Diminished order sizes, coupled with rising labour costs have pushed out financially weaker printing operators. Nonetheless, selective capacity closure in recent years has improved the market environment significantly for surviving players which succeed in gaining market share. Large printers with solid financial position, like our Group, have benefited from this tough competition, as our turnover and profit have grown substantially during the period. Moreover, a larger order book and procurement budget have also reaped significant and sustainable cost savings over our competitors. Having the economy of scale is a key success factor in our industry. After taking account of OPUS procurement budget, the Group's consolidated purchase will be one of the largest in the industry. We will enjoy even better pricing from the paper mills and other suppliers, which will translate to our price offering and increase our competitiveness. The Group, through the Conversion, is expected to expand to and further consolidate its market share in Australia, New Zealand and Singapore and expand its business to other segments, such as commercial printing and printing for outdoor advertising in order to diversify business risk and to further extend the customer base. Thus, the Group currently has no further expansion plan for the Enlarged Group. The Enlarged Group will capitalise on the broadened clientele base, the greater bargaining power when sourcing raw materials together with the Group, the development of new digital equipment and finishing solution and will continue to invest in the OPUS proprietary digital asset management and workflow system, IPALM® to strengthen its business. In addition, the Enlarged Group will take the following steps in order to enhance its operational efficiency: (i) the ERP System will be applied across the Enlarged Group, and

(ii) the market and technical information and knowledge will be shared among the members of the Group and OPUS Group. There will be no capital commitment and no plans for significant investments after the Conversion, save and except for the minimal capital investment required for the development of new digital equipment and finishing solutions and IPALM.

As at the Latest Practicable Date, the Enlarged Group had no intention, negotiation, agreement, arrangement and understanding about any disposal, scaling-down and/or termination of its existing business, other than disposal of assets of an associated company in which OPUS owns one-thirds of the issued share capital. To the best knowledge of Directors, the business of the associated company is insubstantial for the OPUS Group and the proceeds to be obtained from the disposal are expected to be insignificant. As at the Latest Practicable Date, the Enlarged Group had no intention for further acquisition or investment nor did it identify any suitable investment opportunities. The Group would consider further investment when suitable investment opportunity arises.

The Directors consider that the Acquisition (and the Conversion) has positive outlook and will benefit the Enlarged Group in the long run. The acquisition of control of OPUS allows the Group to broaden its business and strengthen its purchasing power and is thus in line with the Group's business development strategy.

PUBLISHED FINANCIAL INFORMATION OF OPUS GROUP FOR EACH OF THE THREE YEARS ENDED 30 JUNE 2014 ("OPUS GROUP PUBLISHED ACCOUNTS")

(1) The following is the audited financial statements of OPUS Group for the year ended 30 June 2014, which were prepared in accordance with IFRS. These financial statements were presented in thousands of Australian dollars except where otherwise stated. OPUS Group's 2014 financial statements are available free of charge, in printable format on OPUS' website (www.opusgroup.com.au).

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2014

		Consolidated	
		30 June 2014	**30 June 2013 (Restated)**
	Note	*AUD$'000s*	*AUD$'000s*
Revenue from continuing operations	5	116,873	116,824
Other Income	7	1,145	1,165
Changes in inventories of finished goods, materials and work in progress		(34,149)	(33,134)
Other production costs and freight		(19,058)	(18,896)
Employee benefits expense	8	(40,499)	(39,994)
Occupancy costs		(5,417)	(4,941)
Depreciation and amortisation expense		(7,070)	(8,237)
Impairment of goodwill	20	(38,088)	–
Impairment of investment in associate	17	(182)	–
Gain on disposal of assets		(43)	3,465
Realised foreign exchange loss	9	(52)	(34)
Other expenses		(8,517)	(10,028)
Operating loss before finance costs		(35,057)	6,190
Finance revenue		41	53
Finance expenses		(7,303)	(6,715)
Net finance costs		(7,262)	(6,662)
Share of net profit/(loss) of associate	17	11	(116)
Loss before income tax		(42,308)	(588)
Income tax expense	10	(4,765)	(2,259)
Loss after income tax		(47,073)	(2,847)

	Note	Consolidated 30 June 2014 *AUD$'000s*	30 June 2013 (Restated) *AUD$'000s*
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of cash flow hedges (net of tax)	27a	(88)	95
Exchange differences on translation of foreign operations	27a	1,798	1,320
Other comprehensive income for the full year, net of tax from continuing operations		1,710	1,415
Total comprehensive income for the full year		(45,363)	(1,432)
		Cents	*Cents*
Basic (loss) per share	2	(40.18)	(5.30)
Diluted (loss) per share	2	(40.18)	(5.30)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
as at 30 June 2014

		Consolidated	
		30 June 2014	**30 June 2013 (Restated)**
	Note	*AUD$'000s*	*AUD$'000s*
Current assets			
Cash	12	3,516	3,163
Trade and other receivables	13	13,640	12,641
Inventories	14	4,735	5,127
Other current assets	15	1,960	2,375
Assets classified as held for sale	16	–	70
Assets of disposal group	6	–	12,592
Total current assets		23,851	35,968
Non-current assets			
Investments accounted for using the equity method	17	611	782
Property, plant and equipment	19	24,891	28,132
Deferred tax assets	21	–	4,108
Intangibles	20	16,779	46,750
Other non-current assets	19b	995	1,264
Total non-current assets		43,276	81,036
Total assets		67,127	117,004
Current liabilities			
Bank overdraft	12	1,500	1,500
Trade and other payables	22	14,183	12,108
Provision for income tax		558	1,298
Derivative financial instruments	23	1,053	717
Interest bearing liabilities	24	50,964	29,963
Provisions	25	5,854	5,283
Liabilities of disposal group	6	–	2,807
Total current liabilities		74,112	53,676

	Note	Consolidated 30 June 2014 AUD$'000s	Consolidated 30 June 2013 (Restated) AUD$'000s
Non-current liabilities			
Derivative financial instruments	23	–	845
Interest bearing liabilities	24	1,398	28,665
Provisions	25	553	1,042
Deferred tax liabilities	21	604	730
Total non-current liabilities		2,555	31,282
Total liabilities		76,667	84,958
Net (liabilities)/assets		(9,540)	32,046
Equity			
Share capital	26	43,130	39,353
Reserves	27a	1,395	(315)
Accumulated losses	27b	(54,065)	(6,992)
Total (deficiency)/equity		(9,540)	32,046

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2014

Consolidated	*Note*	Share Capital *AUD$'000s*	Reserves *AUD$'000s*	Accumulated losses *AUD$'000s*	Total *AUD$'000s*
Balance at 1 July 2012 (as previously reported)		39,353	(1,730)	(3,075)	34,548
Adjustment	34	–	–	(1,070)	(1,070)
Balance as at 1 July 2012 (restated)		39,353	(1,730)	(4,145)	33,478
Loss after income tax		–	–	(2,847)	(2,847)
Changes in fair value of cash flow hedges net of tax	27a	–	95	–	95
Exchange differences on translation of foreign operations and internal borrowings	27a	–	1,320	–	1,320
Total comprehensive income		–	1,415	(2,847)	(1,432)
Balance at 30 June 2013 (restated)		39,353	(315)	(6,992)	32,046

Consolidated	Note	Share Capital AUD$'000s	Reserves AUD$'000s	Accumulated losses AUD$'000s	Total AUD$'000s
Balance at 30 June 2013 (restated)		39,353	(315)	(6,992)	32,046
Loss after income tax		–	–	(47,073)	(47,073)
Changes in fair value of cash flow hedges net of tax	27a	–	(88)	–	(88)
Exchange differences translation of foreign operations and internal borrowings	27a	–	1,798	–	1,798
Issue of ordinary shares in exchange of the Secured Redeemable Convertible Notes	26	3,791	–	–	3,791
Transaction costs arising on shares issue	26	(14)	–	–	(14)
Total comprehensive income		3,777	1,710	(47,073)	(41,586)
Balance at 30 June 2014		43,130	1,395	(54,065)	(9,540)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The prior year comparatives have been restated where necessary. Please see note 34 for further details.

Consolidated Statement of Cash Flow
for the year ended 30 June 2014

		Consolidated	
		2014	**2013**
	Note	*AUD$'000s*	*AUD$'000s*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		132,479	129,040
Payments to suppliers and employees (inclusive of GST)		(118,115)	(120,538)
Interest received		41	46
Interest and borrowing costs paid		(7,180)	(6,444)
Net income tax paid		(1,688)	(663)
Net cash inflows from operating activities	12	5,537	1,441
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(2,545)	(2,744)
Proceeds from the disposal of property, plant and equipment		71	7,866
Dividends received	17	–	140
Payment for security deposit		–	(701)
Net cash inflows/(outflows) from investing activities		(2,474)	4,561
Cash flows from financing activities			
Convertible note funds received, net of transaction costs		386	2,918
Repayment of borrowings		(2,602)	(11,116)
Repayment of finance leases		(527)	(674)
Net cash (outflows)/inflows from financing activities		(2,743)	(8,872)
Net increase/(decrease) in cash held		320	(2,870)
Cash and cash equivalents at beginning of the financial year		1,663	4,443
Net effect of exchange rate changes on cash		33	90
Cash and cash equivalents held at end of financial year		2,016	1,663
Comprising:			
Cash		3,516	3,163
Bank overdrafts		(1,500)	(1,500)
Cash and cash equivalents held at end of financial year	12	2,016	1,663

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this Annual Financial Report (referred to as the Annual Financial Report or Financial Report) are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated. The Financial Report is for the consolidated entity consisting of OPUS Group Limited and its subsidiaries ('the OPUS Group').

(a) Basis of preparation and consolidation, accounting policies and critical accounting estimates and judgements

Basis of preparation

The Company is a Public Company listed on the Australian Securities Exchange ('ASX'). This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 for the purpose of fulfilling the OPUS Group's obligations under the ASX Listing Rules.

OPUS Group Limited is a for profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Restatement of comparative information

Comparative financial information for the Statement of Comprehensive Income has been restated where necessary to be consistent with presentation of current year figures.

New and amended accounting standards adopted by the Group

The group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2013:

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period

- AASB 13 *Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

- AASB 119 *Employee Benefits (September 2011) and* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle and*

- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The adoption of these standards does not have a material impact on the amounts recognised in the current or prior period financial statements, however will affect the disclosures in the notes to the financial statements.

Early adoption of Standard by the Group

The Group has elected to adopt early the amendments made by AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets. These amendments remove a requirement to disclose the recoverable amount of all cash generating units that contain goodwill or identifiable assets with indefinite lives, regardless of impairment. This requirement was introduced by AASB 2013 and would otherwise become applicable from 1 January 2013.

Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the directors consider the standard will not have a significant effect on the balances recognised in the financial statements or disclosures required. The group has not yet decided when to adopt AASB 9.

Standards issued by the IASB that are not yet available for early adoption

The following standards and amendments have been issued by the IASB, but Australian equivalent standards will not be available until later this year. Early adoption will only be possible for periods ending after the commencement of a standard, or a later date specified in the standard.

Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard is effective from 1 January 2017.

There are no other standards that are not yet effective and that are expected to have a material impact on the OPUS Group in the current or future reporting periods and on foreseeable future transactions.

Historical cost convention

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

Support from financier

As at 30 June 2014, the OPUS Group reported a loss after tax of $47,073,000 and had current liabilities of $74,112,000, which included $51,282,000 from a loan provided by Commonwealth Bank of Australia (the 'CBA Debt Facilities' – refer note 24). There is a working capital shortfall of $50,261,000 (2013: $17,708,000).

The CBA Debt Facilities were novated to 1010 Printing Group Limited ('1010 Group') on 31 July 2014. Immediately after the novation, 1010 Group signed a standstill agreement with the OPUS Group. In accordance with the standstill agreement, 1010 Group extended the loan maturity date, deferred the loan repayment and waived the covenant requirements until 8 August 2014 (the 'Deferral Date'). Subsequently, the Deferral Date was further extended to 15 November 2014. The applicable interest rate was reduced to 6% for a three month period. In addition a working capital facility of $7,000,000 at an interest rate of 6% for two years was provided by 1010 Group to provide the OPUS Group with financial accommodation for the period through to completion of a proposed recapitalisation.

Recapitalisation plan

On 4 September 2014, the OPUS Group signed a recapitalisation program deed with 1010 Group and a placement agreement with Wilson HTM Corporate Finance Limited. 1010 Group will convert $20,880,000 of the novated loan to equity in OPUS and forgive the balance of the loan. OPUS will issue 20 million options to 1010 Printing to subscribe for 20 million shares in OPUS at a total exercise price of $7,000,000, exercisable at any time up to and including 30 September 2017. OPUS will issue shares to professional and sophisticated investors to raise $4,000,000 and will issue shares to Mr. Richard Celarc to raise $3,000,000. In addition a maximum of $1,050,000 will be raised through a share purchase plan.

After completion of the above recapitalisation plan, 1010 Group will own approximately 61% of the OPUS Group. The recapitalisation plan is subject to shareholder approval at the extraordinary general meeting to be held on 24 October 2014. OPUS Group's major shareholder holding 58% of OPUS ordinary shares indicated that it intends to vote in favour of the recapitalisation program (as set out in an announcement released on 4 September 2014).

Once implemented, the proposed recapitalisation will enable the OPUS Group's business to move forward on a strong and fully funded basis. The recapitalisation plan will raise a maximum of $8,000,000 in early November 2014. If 1010 Group exercises its share options, the Group will have additional cash of $7,000,000. The Group's working capital shortfall will be improved. The Group will have remaining an unsecured promissory note owed to CBA for $1,900,000, repayable on 31 July 2015, and $2,580,000 finance lease liabilities.

The Directors have taken a number of actions to improve the OPUS Group's profitability and expect an improvement in operating results. Efficiency gains will be achieved through rationalisation of its cost base.

The continuing viability of the OPUS Group and its ability to continue as a going concern and meets its debt and commitments as they fall due are dependent upon it being successful in the recapitalisation and 1010 Group's support in the short term.

The Directors have prepared the financial report on a going concern basis. Notwithstanding this belief, there is a risk that the Group may not be successful in completing the proposed recapitalisation and implementing the rationalisation plan (refer note 31). However, based on the likelihood of the proposed rationalisation and recapitalisation plan being approved due to strong shareholder support that has been announced to the market, the Directors have concluded that no material uncertainty exists that may significant cast doubt on the Group's ability to continue as a going concern.

(b) Principles of consolidation

Subsidiaries

The Annual Financial Report incorporates the assets and liabilities of all subsidiaries and the results of all subsidiaries for the year then ended. Subsidiaries are all entities (including special purpose entities) over which the OPUS Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the OPUS Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the OPUS Group. They are de consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated. Management is required to make full disclosure of intercompany transactions during the year to ensure that all transactions of this nature are eliminated at a group level. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the OPUS Group. Non controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet respectively.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Where equity instruments are issued in an acquisition they are measured at their assessed fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the OPUS Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

Subsidiaries are consolidated from the date on which control is transferred to the OPUS Group. They are de-consolidated from the date that control ceases.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the OPUS Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The Financial Report is presented in Australian dollars being OPUS Group's functional and presentation currency.

The functional currency of New Zealand based operations is New Zealand Dollars and the functional currency of C.O.S. Printers is Singapore Dollars. These entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

(ii) Transactions and balances

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to Australian Dollars ('$AUD') at exchange rates at the reporting date. The income and expenses of foreign operations are translated to $AUD at the average exchange rates between reporting dates as an approximation of the spot rate on each of the transaction dates. Foreign currency differences are recognised in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount of the reserve is transferred to profit and loss.

(d) Revenue recognition

Sales revenue comprises revenue earned (net of returns, discounts, allowances, duties and taxes) from the provision of products or services to entities outside the OPUS Group.

Sale of products and goods

Sales revenue is recognised when the goods are dispatched, or when title passes to the customer, at the fair value of the consideration received or receivable. OPUS Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Provision of services

Sales revenue is recognised based on the stage of completion of the service, contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Where the stage of completion cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable.

Other income

Other income, including dividends, is recognised when the income is received or becomes receivable.

Government grants

An unconditional government grant is recognised when the grant becomes receivable. Conditional government grants are recognised when there is reasonable assurance that they will be received and that the OPUS Group will comply with the conditions associated with the grant.

Grants that compensate for expenses incurred are recognised in profit and loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

Agency and commission arrangements

When presenting revenues in the statement of comprehensive income consideration is given to whether the OPUS Group is operating as an agent (earning a fee or commission in return for arranging the provision of goods or services on behalf of a principal) or a principal (acting on its own account when contracting with customers for the supply of goods or services in return for consideration). Whether an entity is acting as a principal or agent is a matter of facts and circumstances.

In an agency relationship the gross cash inflows include amounts collected on behalf of the principal which are not revenue. In this instance the net amount retained can only be presented as revenue.

When the transaction is such that the Group is acting as the principal to the arrangement, revenue is recognised based on the gross amount received or receivable under the sales contract.

Shipping and handling charges

The OPUS Group may sell items either FOB (free on board) or CIF (cost, insurance, freight). CIF charges are included as part of revenue. The cost of insurance and freight is included as revenue unless the OPUS Group is only acting as an agent in respect of these charges. This may be the case where there is no profit element in the insurance and freight charged to the customers, so that these charges are merely the reimbursement of expenses. In this situation any consideration attributable to these elements is netted off against the carriage costs (freight etc.) in the income statement. However where the OPUS Group is able to determine the additional margin on the CIF charges, revenue includes the full CIF selling price, as the recharge of the CIF elements is effectively a revenue-earning part of the transaction.

Volume, settlement and general discounting

The OPUS Group may offer customer discounts for either achieving a minimum threshold of purchases, for prompt settlement or a general discount for a specified arrangement. The Group's revenue accounting policy requires the amount of revenue recognised under the transaction to be reduced by the amount of the discount at the time of the sale. At times this may require an estimation of the future discount or rebate which may be earned by the customer.

(e) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, gains on hedging instruments that are recognised in profit and loss and gains on other derivative contracts (e.g. ineffective hedges). Finance income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses, losses on disposal of available for sale financial assets, losses recognised on hedging instruments that are recognised in profit and loss and losses on other derivative contracts (e.g. ineffective hedges).

(f) Investments in associates

Associates are all entities over which the OPUS Group has significant influence but not control.

The OPUS Group has a $33^{1}/_{3}\%$ shareholding in an associated company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Details relating to shareholding in this associate are set out in Note 17.

The OPUS Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the OPUS Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the OPUS Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary difference and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where there is a legally enforceable right to offset and the intention is to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Parent entity financial information

The financial information for the parent entity, OPUS Group Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of OPUS Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Tax consolidation

OPUS Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. OPUS Group Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, OPUS Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate OPUS Group Limited for any current tax payable assumed and are compensated by OPUS Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to OPUS Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. OPUS Group Limited may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Goods and services tax (GST) and other similar taxes

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the relevant taxation authority are presented as operating cash flows.

(j) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor substantially retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the lower of the fair value of leased property and the present value of the minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight-line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between the principal component and interest expense.

Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease. Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(k) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses are recognised in profit and loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

For assets other than goodwill, impairment losses recognised in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in a debtor credit rating) the reversal of the impairment is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(m) Goodwill

Recognition and nature

Goodwill represents the excess of the cost of an acquisition over the fair value of the OPUS Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisition of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Impairment of goodwill

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss in respect of goodwill cannot be reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(n) Cash and cash equivalents

For purposes of the cash flow statements, cash includes deposits at call, overdrafts and short-term deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts. Cash and cash equivalents generally have a three month or shorter term.

(o) Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off.

A provision for impairment of trade receivables is established when there is objective evidence that the OPUS Group will not be able to collect all amounts due according to the original terms of receivables.

(p) Inventories

Inventories (including work in progress) are valued at the lower of cost or net realisable value. Cost of produced inventories comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on the basis of normal operating capacity.

Costs of purchased inventory are determined after deducting rebates and discounts.

Cost of work in progress and finished manufactured products includes materials, labour and an appropriate proportion of factory overhead expenditure.

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

(q) Investments and other financial assets

The OPUS Group classifies its financials assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non current.

Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the OPUS Group's management has the positive intention and ability to hold to maturity. If the OPUS Group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the OPUS Group provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Financial assets – reclassification

The OPUS Group may choose to reclassify a non derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the OPUS Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available for sale categories if the OPUS Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade date (the date on which the OPUS Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the OPUS Group has transferred substantially all the risks and rewards of ownership. When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income (equity). Changes in the fair value of other monetary and non monetary securities classified as available for sale are recognised in other comprehensive income (equity).

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the OPUS Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

(r) Borrowings and convertible notes

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

The component of convertible notes that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On the issue of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

Borrowings are classified as current liabilities unless the OPUS Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(u) Property, plant and equipment

Cost and recognition

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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 OPUS Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation is recognised in profit and loss on either a straight line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated lives used for depreciation purposes are generally as follows:

Plant and equipment	2 to 20 years
Office furniture and equipment	2 to 7 years
Motor vehicles	3 to 8 years
Leasehold improvements	5 to 20 years
Computer equipment	1 to 7 years

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.

Leased assets

Leased assets in terms of which the OPUS Group assumes substantially all of the risks and rewards of ownership are classified as finance lease assets. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis or diminishing value basis over the specific useful life of the developed software.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

(v) Other intangible assets

Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

(w) Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The OPUS Group designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges).The OPUS Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The OPUS Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

(x) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(y) Cash flow hedges that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income, other expenses or finance costs.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(z) Provisions

Provisions are recognised when the OPUS Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(aa) Performance and financial guarantees

Performance guarantees are considered to be insurance arrangements and are accounted for as such. In this respect performance guarantees are treated as a contingent liability until such a time it becomes probable that the OPUS Group will be required to make a payment under the guarantee.

In respect of financial guarantee contracts, where the guarantor has previously asserted explicitly that is regards its financial guarantee contracts as insurance contracts and has previously accounted for them as such, then the guarantor has an accounting policy choice on a contract by contract basis. This accounting policy choice allows the guarantor to account for the financial guarantee as an insurance contract under AASB 4 Insurance Contracts or otherwise to recognise financial guarantee contracts as a financial liability at the time the guarantee is issued in accordance with AASB 139 Financial Instruments: Recognition and Measurement.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

All financial guarantees are intra-group and eliminated on consolidation.

(ab) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for an amount expected to be paid under short-term cash bonus or profit sharing plans if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other short-term employee benefit obligations are presented as payables.

Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss as they are due.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan has been developed and a valid expectation has been raised with those employees affected, that the termination will be carried out. The liabilities for termination benefits are recognised in other creditors unless timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits related to an acquired entity or operation that arises as a consequence of acquisitions are recognised as at the date of acquisition if, at or before acquisition date, the main features of the terminations were planned and a valid expectation had been raised with those employees affected, that the terminations would be carried out and this is supported by a detailed plan.

(ac) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any OPUS Group company purchases the company's equity instruments, for example as the result of a share buy back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners.

(ad) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ae) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(af) Rounding of amounts

OPUS Group Limited is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission. This Class Order relates to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ag) Critical accounting estimates and assumptions

The OPUS Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated recoverable amount of cash-generating units

The OPUS Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1(m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 20 for details of these assumptions.

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Balance Sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the OPUS Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. Based on current forecasts, no deferred tax assets is recognised.

2. LOSS PER SHARE

	Consolidated	
	30 June 2014	**30 June 2013 (Restated)**
Basic loss per share (cents ¢)	(40.18)¢	(5.30)¢
Diluted loss per share (cents ¢)	(40.18)¢	(5.30)¢

	Consolidated	
	30 June 2014	**30 June 2013**
Loss used in calculating basic and diluted earnings per share	(47,073)	(2,847)
	'000s	*'000s*
Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted loss per share	117,167	53,678

3. FINANCIAL RISK MANAGEMENT

The OPUS Group's activities expose it to financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the OPUS Group, derivative financial instruments, such as interest rate hedge contracts, are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or other speculative instruments.

The OPUS Group holds the following financial instruments:

30 June 2014	Loans and receivables *AUD$'000s*	Other amortised cost *AUD$'000s*	Derivatives used for hedge purposes *AUD$'000s*	Total carrying amount *AUD$'000s*	Fair value *AUD$'000s*
Assets					
Trade and other receivables	13,640	–	–	13,640	13,640
Cash	3,516	–	–	3,516	3,516
Total financial assets	17,156	–	–	17,156	17,156
Liabilities (non-current)					
Finance leases	–	1,398	–	1,398	1,398
Total non-current liabilities	–	1,398	–	1,398	1,398
Liabilities (current)					
Bank overdrafts	–	1,500	–	1,500	1,500
Loans and borrowings	–	49,782	–	49,782	49,782
Deferred consideration	–	698	–	698	698
Finance leases	–	1,182	–	1,182	1,182
Cash flow hedges	–	–	1,053	1,053	1,053
Trade and other payables	–	14,183	–	14,183	14,183
Total current liabilities	–	67,345	1,053	68,398	68,398
Total financial liabilities	–	68,743	1,053	69,796	69,796

30 June 2013	Loans and receivables (Restated) *AUD$'000s*	Other amortised cost *AUD$'000s*	Derivatives used for hedge purposes *AUD$'000s*	Total carrying amount *AUD$'000s*	Fair value *AUD$'000s*
Assets					
Trade and other receivables	12,641	–	–	12,641	12,641
Cash	3,163	–	–	3,163	3,163
Total financial assets	15,804	–	–	15,804	15,804
Liabilities (non-current)					
Loans and borrowings	–	26,421	–	26,421	26,421
Deferred consideration	–	656	–	656	656
Finance leases	–	2,244	–	2,244	2,244
Cash flow hedges	–	–	845	845	845
Total non-current liabilities	–	29,321	845	30,166	30,166
Liabilities (current)					
Bank overdrafts	–	1,500	–	1,500	1,500
Convertible note	–	3,137	–	3,137	3,137
Loans and borrowings	–	25,963	–	25,963	25,963
Deferred consideration	–	781	–	781	781
Finance leases	–	863	–	863	863
Cash flow hedges	–	–	717	717	717
Trade and other payables	–	12,108	–	12,108	12,108
Total current liabilities	–	44,352	717	45,069	45,069
Total financial liabilities	–	73,673	1,562	75,235	75,235

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments in the above table, which are used purely for hedging purposes, are measured and recognised at fair value and are included in level 2 of the fair value measurement hierarchy.

The fair value of the derivative financial instruments is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows and the fair value of forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

The contingent consideration is included in level 3 of the fair value measurement hierarchy. The fair value is determined using unobservable inputs.

(a) Foreign exchange risk

The OPUS Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currencies applicable to each entity. The currencies in which transactions are primarily denominated are Australian Dollars ('AUD$'), New Zealand Dollars ('NZD$') Singapore Dollars ('SGD$') and US Dollars ('US$'). Management evaluates their foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum. The OPUS Group may in certain circumstances use forward exchange contracts to hedge its foreign currency risk. When used, the contracts would normally have maturities or less than one year at reporting date. The OPUS Group does not hold or issue financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

As at 30 June 2014, the exposure to trade and other payables denominated in USD totalled AUD$196,000 and GBP totalled AUD$23,000. As at 30 June 2013, the exposure to trade and other payables denominated in USD totalled AUD$34,000 and GBP totalled AUD$nil.

Management have assessed the remaining exposure to currencies is not significant.

(b) Interest rate risk

Interest rate risk arises both where payments of floating interest are made and where the OPUS Group has fixed interest rate borrowings compared to the market. The OPUS Group monitors the current market rates and evaluates on an ongoing basis whether to borrow at fixed or floating rates with the objective of minimising interest payable.

The Group has hedged the interest payments on $41,800,000 (2013: $45,0000,000) of the Commonwealth Bank of Australia Limited ('CBA') debt owing at 30 June 2014 as required by the terms of the Debt Facility Agreement. On 31 July 2014, the hedging agreement was cancelled without charges.

(c) Credit risk

Credit risk arises on financial assets where customers are given credit terms. In order to minimise credit exposure, management has a credit policy in place under which each new customer is individually analysed for credit worthiness before services are offered. The OPUS Group's exposure to credit risk is mainly influenced by its customer base. Credit risk is measured by estimating losses incurred at each reporting date based on historical experience.

The carrying amount of financial assets represents the OPUS Group's maximum credit exposure.

The Group's maximum exposure to credit risk for trade receivables by geographic regions is as follows:

	Carrying Amount	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
New Zealand	1,175	61
Australia	10,883	10,694
Singapore	1,762	2,070
Trade receivables (gross)	13,820	12,825
Provision against receivables	(180)	(184)
Net trade receivables	13,640	12,641

The status of trade receivables at the reporting date is as follows:

	30 June 2014 *AUD$'000s*	**30 June 2013** *AUD$'000s*
Neither past due, nor impaired		
Current	7,810	6,860
Past due, but not impaired		
1-30 days over standard terms	5,316	4,493
31-60 days over standard terms	214	843
61+ days over standard terms	300	445
Net trade receivables	13,640	12,641

(d) Liquidity risk

Liquidity risk represents the OPUS Group's ability to meet its contractual obligations. The OPUS Group evaluates its liquidity requirements on an ongoing basis using cash flow forecasting. In general, the OPUS Group generates sufficient cash flows from its operating activities and holds and retains cash to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities at the balance sheet date:

	Statement of financial position *AUD$'000s*	**Contractual cash flows** *AUD$'000s*	**0-1 year** *AUD$'000s*	**1-5 years** *AUD$'000s*	**More than 5 years** *AUD$'000s*
30 June 2014					
Finance lease liabilities	2,580	2,846	1,347	1,499	–
Secured loans	49,782	51,150	51,150	–	–
Bank overdraft	1,500	1,510	1,510	–	–
Cash flow hedges	1,053	1,112	1,112	–	–
Trade and other payables	14,183	14,183	14,183	–	–
Total financial liabilities	69,098	70,801	69,302	1,499	–
30 June 2013					
Finance lease liabilities	3,107	3,497	976	2,521	–
Secured loans	52,384	56,696	26,989	29,707	–
Convertible note	3,137	3,602	3,602	–	–
Bank overdraft	1,500	1,532	1,532	–	–
Cash flow hedges	1,562	1,647	724	923	–
Trade and other payables	12,108	12,108	12,108	–	–
Total financial liabilities	73,798	79,082	45,931	33,151	–

(e) Capital Management

The OPUS Group's capital employed includes share capital, reserves and retained earnings, bank debt and borrowings, convertible notes, finance lease liabilities and bank overdrafts net of cash.

The OPUS Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the OPUS Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The OPUS Group is not subject to any externally imposed capital requirements, other than those of its debt facility, which contains certain covenants.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The OPUS Group's policies in respect of capital management and allocation are reviewed regularly by the Directors.

Asset and Capital Structure (as at the Balance Sheet Date)

	30 June 2014	**31 Dec 2013**	**30 June 2013 (Restated)**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*
Debt:			
Bank debt and borrowings	49,782	50,223	52,384
Convertible notes	–	–	3,137
Finance lease liabilities	2,580	3,006	3,107
Bank overdraft	1,500	1,500	1,500
Cash and cash equivalents	(3,516)	(2,199)	(3,163)
Net debt*	50,346	52,530	56,965
Total equity	(9,540)	2,101	32,046
Total capital employed	40,806	54,631	89,011
Gearing (net debt/net debt + equity)	123%	96%	64%

* Net debt excludes off balance sheet bank guarantees and letters of credit. For bank covenant purposes the convertible notes are excluded from net debt.

Net debt (interest bearing liabilities and overdrafts less cash) decreased by $6,619,000 to $50,346,000 following the conversion of the convertible loan notes and debt amortisation.

At 30 June 2014, the CBA secured bank loan was classified as a current liability because the Group could not meet several covenants attached to the CBA loan facilities. On 30 June 2014, CBA signed a standstill agreement with the Group. In accordance with the standstill agreement, CBA extended the loan maturity date, deferred the overdue loan repayment and waived the covenant requirements until 15 July 2014 (the "Deferral Date"). Subsequently, the Deferral Date was further extended to 31 July 2014 when the loan was novated to 1010 Group. 1010 Group will convert the loan into equity (details set out in note 31).

Sensitivity Analysis

In managing interest rate and currency risks the OPUS Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit. At 30 June 2014 it is estimated that an increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $72,000 (2013: $58,000).

Given that OPUS Group has limited exposure to financial assets and financial liabilities denominated in currencies other than their own functional currencies, there is no material sensitivity to foreign exchange fluctuation.

4. BUSINESS COMBINATIONS

Acquisition of the revenue base of the Blue Star Group Australia's Canberra operation and certain assets thereof

On 27 March 2013 OPUS Group Limited announced that it had entered into an agreement to acquire selected assets and the revenue base of the Blue Star Group Australia's business in Canberra.

Settlement of the consideration for the acquisition occurs on a deferred basis over a two year period, based on the actual revenue contribution with minimum thresholds in place. The deferred consideration is contingent on revenues generated from Blue Star customers using a contractual formula to assess the contribution of customers which were shared by the two entities.

The combined businesses operate from the existing CanPrint facility in Canberra under the CanPrint brand.

The deemed acquisition date for the transaction was 5 April 2013.

Under Australian Accounting Standards, the OPUS Group has 12 months from the date of acquisition in which to complete its assessment of the fair value of the assets and liabilities acquired. Given the date of the transaction, the OPUS Group has recognised the fair value of the identifiable assets and liabilities acquired in the transaction based upon the best financial information available at the acquisition date. The fair values are confirmed as per the acquisition accounting.

The fair value of the identifiable assets and liabilities as of the date of acquisition were as noted in the balance sheet are extract below.

	Acquisition date fair value *AUD$'000s*
Assets	
Equipment	349
Inventory	197
Goodwill	1,438
Deferred tax asset on employee benefits	47
	2,031
Liabilities	
Employee benefits at 100%	(158)
Consideration paid and payable	
Cash (outflow)	(1,175)
Deferred consideration not yet paid	(698)

The fair value of assets and liabilities acquired approximated their carrying amounts at the acquisition date.

The goodwill recognised on acquisition represented the excess consideration paid above the fair value of the assets acquired and the deferred consideration to be paid. Goodwill relates to the synergies which result from the transaction. These benefits include increased volume of revenue with current customers and margin improvements due to improved buying power. Transactions costs were approximately $40,000 with the majority of due diligence undertaken in-house by the OPUS Group management team. These costs have been expensed.

As the business combination was an asset acquisition, information related to pre-acquisition revenue and profit of the business is not available. The revenue and profit derived from the acquisition of the revenue base cannot be determined because a number of the customers of Blue Star Group Australia's Canberra operation were pre-existing customers of the OPUS Group.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board and the Chief Executive Officer ('CEO').

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker as defined above that are used to make strategic decisions.

These individuals review the business primarily from a product and service offering perspective and have identified two distinct operating segments: Publishing Services and Outdoor Media.

Publishing Services

The Publishing Services Division provides digital and offset printing, and other ancillary business services including digital asset management, content management, back catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing.

The division has short run, medium and long run production capabilities and in-house finishing.

The Publishing Services Division also has a business services model that enables the efficient and seamless content creation to consumption for the Federal government, government departments and agencies. This includes webhosting, electronic fulfilment, printing on demand and digital asset management. These capabilities have been extended to the publishing sector as well.

Outdoor Media

The Outdoor Media Division produces and distributes outdoor advertising material and corporate signage for the outdoor advertising industry and corporate signage market. The majority of the work performed by the Outdoor Media Division consists of billboards and posters and requires a rapid turnaround to meet strict advertising campaign deadlines.

(b) Segment revenue

Sales between segments are carried out on an arm's length basis and are eliminated on consolidation. The revenue from external parties reported is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income.

(c) Adjusted EBITDA as monitored by the Board and Senior Management

The chief operating decision makers assess the performance of the operating segments based on a measure of Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA'). Adjusted EBITDA is a non-IFRS measure of financial performance and is not a principle contemplated by Australian Accounting Standards. This measurement basis excludes the effects of certain items from the operating segments such as restructuring costs, material merger transaction costs, legal expenses and goodwill impairment where these items are not deemed to be part of the underlying performance of the segment. This measure is consistent with the presentation of financial information internally for management accounts purposes.

A reconciliation of Adjusted EBITDA to the (Loss) before taxation per the Statement of Comprehensive Income is as follows:

	30 June 2014	30 June 2013 (Restated)
	AUD$'000s	*AUD$'000s*
Adjusted EBITDA on continuing operations	11,813	14,114
Depreciation and amortisation	(7,070)	(8,237)
Impairment of goodwill	(38,088)	–
Impairment of investment in associate	(182)	–
(Loss) Gain on disposal of property, plant and equipment	(43)	3,465
Items excluded from Adjusted EBITDA	(1,476)	(3,268)
Finance revenue	41	53
Finance costs	(7,303)	(6,715)
(Loss) before taxation per the Consolidated Statement of Comprehensive Income	(42,308)	(588)

Interest income and expenditure is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the OPUS Group.

(d) Segment Information

30 June 2014	**Publishing**	**Outdoor Media**	**Other**	**Total**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total external revenue	95,491	21,382	–	116,873
Other Income	1,091	4	50	1,145
Operating expenses	(83,961)	(18,262)	(3,982)	(106,205)
Adjusted EBITDA	12,621	3,124	(3,932)	11,813

30 June 2013	**Publishing**	**Outdoor Media**	**Other**	**Total**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total external revenue	97,159	19,665	–	116,824
Inter segment revenue	1,037	3	9	1,049
Operating expenses	(83,594)	(16,233)	(3,932)	(103,759)
	–	–	–	–
Adjusted EBITDA	14,602	3,435	(3,923)	14,114

(e) Other

The "Other" column represents unallocated OPUS Group and Corporate costs.

(f) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are not reported by operating segment.

6. DISCONTINUED OPERATION

On 16 May 2013, OPUS Group announced that it was undertaking a strategic review of its Outdoor Media Division. The review followed the disposal of a number of non-core assets including the sale and leaseback of the Group's Singapore building, as well as the sale of surplus land and buildings at Maryborough in Victoria, with the proceeds used to pay down debt.

The Outdoor Media Division was classified as a discontinued operation as at 30 June 2013. Consequently, all of the Outdoor related assets and liabilities had been disclosed in the Group's statement of financial position at 30 June 2013 as separate asset and liability categories.

Following the Group's Strategic review in the first half of FY14, it was subsequently decided not to proceed with the Outdoor Media Division divestment. As such, unlike OPUS Limited's Annual Report 2013, Outdoor Media is included as a Continuing Operation in the Statement of Financial Performance.

Assets and Liabilities held for sale

	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Current assets		
Trade receivables	–	2,914
Inventory	–	877
Other current assets	–	106
Non-current assets		
Property, plant and equipment	–	1,955
Goodwill	–	6,445
Deferred tax asset	–	288
Other non-current assets	–	6
Total assets of disposal group	–	12,592

	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Current liabilities		
Trade and other payables	–	1,992
Employee-related provisions	–	718
Non-current liabilities		
Employee-related provisions	–	97
Total liabilities of disposal group	–	2,807

7. OTHER INCOME

	Consolidated	
	30 June 2014	**30 June 2013 (Restated)**
	AUD$'000s	*AUD$'000s*
Scrap recoveries	666	765
Other	479	400
Total other income	1,145	1,165

8. EMPLOYEE BENEFITS EXPENSE

	Consolidated	
	30 June 2014	**30 June 2013 (Restated)**
	AUD$'000s	*AUD$'000s*
Salaries, wages and other staff cost	37,709	37,489
Superannuation	2,790	2,505
Total employee benefits expense per the Consolidated Statement of Comprehensive Income	40,499	39,994

OPUS Group Limited and its controlled entities contribute to a number of superannuation funds. The funds provide benefits on a cash accumulation basis for employees or their dependants on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. OPUS Group contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to OPUS Group contributions, as specified by the rules of the fund. OPUS Group contributions to employee superannuation funds within continuing operations during the year totalled $2,790,000 (2013: $2,505,000).

9. EXPENSES

Profit before income tax for continuing operations includes the following items which require specific disclosure:

	Consolidated	
	30 June 2014	**30 June 2013 (Restated)**
	AUD$'000s	*AUD$'000s*
Bad debts expense	15	76
Minimum lease payments related to operating leases	4,086	3,287
Realised foreign exchange loss	52	34

10. INCOME TAX

(a) Income tax expense

	Consolidated	
	30 June 2014	30 June 2013 (Restated)
	AUD$'000s	*AUD$'000s*
Current tax expense	891	1,139
Deferred tax expense/(benefit)	3,953	1,112
Under/(over) provision in previous years	(79)	38
Total income tax expense	4,765	2,259
Deferred income tax (benefit) included in income tax expense comprises:		
Decrease in deferred tax assets	(4,139)	(1,397)
Decrease in deferred tax liabilities – *Note 21*	186	285
	(3,953)	(1,112)

(b) Reconciliation of current income tax expense

	30 June 2014	30 June 2013 (Restated)
Operating loss before income tax	(42,308)	(588)
Income tax using the OPUS Group's domestic rate of tax (30%)	(12,693)	(176)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net loss in associate	(3)	35
Tax-exempt income	–	(808)
Current year tax losses not recognised	2,303	3,157
Tax rate difference in overseas entities	608	(1,164)
De-recognition of deferred tax assets previously recognised	4,139	–
De-recognition of Australian tax losses previously recognised	–	1,388
Non-deductible impairment losses	10,368	–
Under/(over) provision in prior years	(79)	38
Other	122	(211)
Total income tax expense	4,765	2,259

(c) Tax benefit relating to items of other comprehensive income

	30 June 2014	30 June 2013 (Restated)
Cash flow hedges	(301)	52

(d) Tax losses

	30 June 2014	30 June 2013 (Restated)
Unused tax losses for which no deferred tax asset has been recognised	29,713	21,464
Potential tax benefit @ 28% *	3,479	2,913
Potential tax benefit @ 30%	5,186	3,318
Potential tax benefit at jurisdiction tax rates	8,665	6,231

* New Zealand jurisdiction tax rate

Tax losses for which no deferred tax asset has been recognised relate to the New Zealand and Australian tax jurisdictions. The tax expense includes the write-off of previously recognised deferred tax assets to the value of $4,139,000 (2013: $1,388,000). The tax losses in New Zealand are not likely to be carried forward post recapitalisation transaction.

(e) Franking credits

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Franking credits available for subsequent financial years based on a tax rate of 30%	24,133	23,742

The above amounts represent the balance of the Australian franking account as at the end of the financial year, adjusted for franking credits which are expected to arise from the payment of current tax liabilities.

11. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$	*AUD$*
Audit services		
PricewaterhouseCoopers Australia – Audit and review of financial reports of OPUS Group *	329,500	326,000
Other PricewaterhouseCoopers network firms – Audit and review of financial reports and other audit work for OPUS Group's New Zealand and Singapore businesses	86,000	86,000
Total PricewaterhouseCoopers remuneration for audit services	415,500	412,000

* The fee includes the half-year review for the period ended 31 December.

The remuneration for services disclosed above only includes fees paid to auditors whilst they were appointed as auditors to the Company or its subsidiaries. No non-audit service was provided by the auditors during the years ended 30 June 2014 and 2013.

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2014	30 June 2013 (Restated)
	AUD$'000s	*AUD$'000s*
Cash on hand	3,516	3,163
The above figures are reconciled to cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows as follows:		
Balances as above	3,516	3,163
Less: bank overdrafts	(1,500)	(1,500)
Balances per the Consolidated Statement of Cash Flows	2,016	1,663
Reconciliation of net cash provided by operating activities to operating loss after income tax:		
Operating loss after income tax	(47,073)	(2,847)
Share of (profit)/loss of associate	(11)	(116)
Repayment of loan	–	17
Depreciation, amortisation and impairment	7,070	8,237
Impairment of goodwill	38,088	–
Impairment of investment in associate	182	–
Foreign exchange losses	–	52
Disposal of fixed asset	43	(3,412)
Operating assets and liabilities		
Increase/(decrease) in trade and other payables	111	(2,907)
Increase/(decrease) in employee entitlements	7	110
Increase/(decrease) in tax payable	(179)	722
(Increase)/decrease in deferred tax balances	3,256	1,116
(Increase)/decrease in receivables	2,774	(797)
(Increase)/decrease in inventories	1,269	1,266
Net cash inflow provided by operating activities	5,537	1,441

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2014	30 June 2013
	AUD$'000s	*AUD$'000s*
Trade receivables	13,820	12,825
Less: Allowance for doubtful debts	(180)	(184)
Total trade and other receivables	13,640	12,641

Refer to Note 24 for information on assets pledged as security by the parent entity and its controlled entities.

14. CURRENT ASSETS – INVENTORIES

	Consolidated	
	30 June 2014	30 June 2013
	AUD$'000s	*AUD$'000s*
Raw materials	3,246	3,759
Spare parts	542	–
Work in progress	482	1,163
Finished goods	1,271	904
Less: Provision for inventory obsolescence	(806)	(699)
Total inventories	4,735	5,127

Refer to Note 24 for information on assets pledged as security by the parent entity and its controlled entities.

15. CURRENT ASSETS – OTHER

	Consolidated	
	30 June 2014	30 June 2013 (Restated)
	AUD$'000s	*AUD$'000s*
Sundry debtors and prepayments	1,960	2,375
Total other current assets	1,960	2,375

Refer to Note 24 for information on assets pledged as security by the parent entity and its controlled entities.

16. CURRENT ASSETS – HELD FOR SALE ASSETS (EXCLUDING ASSETS OF DISPOSAL GROUPS)

	Consolidated	
	30 June 2014	30 June 2013
	AUD$'000s	*AUD$'000s*
Assets held for sale at balance sheet date	–	70

Assets held for sale at 30 June 2014 and 30 June 2013 are individual assets deemed to be non-core to the business and are in the process of being sold. These assets have been written down to their recoverable amount at the balance sheet date.

Refer to Note 24 for information on assets pledged as security by the parent entity and its controlled entities.

17. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Shares in associate	611	782

The Group has a 33[1]/[3]% shareholding in an associate company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
(i) Movements in carrying amount		
Carrying amount at the beginning of the financial year	782	1,038
Share of profit/(loss) after income tax	11	(116)
Dividends received	–	(140)
Less: Impairment loss	(182)	–
Carrying amount at the end of the financial year	611	782
(ii) Share of associate's profit/(loss)		
Profit/(Loss) before tax	16	(164)
Income tax credit	(5)	48
Profit/(loss) after income tax	11	(116)

(iii) Summarised financial information of associate

	Group's share of:			
	Assets	**Liabilities**	**Revenues**	**Profits/(losses)**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
2014	2,027	1,094	1,877	11
2013	2,139	1,217	2,020	(116)

Refer to Note 24 for information on assets pledged as security by the parent entity and its controlled entities.

18. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

	Country of Incorporation
OPUS Group Limited	Australia
Wholly owned subsidiaries of OPUS Group Limited	
Cactus Imaging Holdings Pty Limited *	Australia
Cactus Imaging Pty Limited *	Australia
OPUS Group (Australia) Pty Limited *	Australia
Ligare Pty Limited *	Australia
CanPrint Holdings Pty Limited *	Australia
Union Offset Co. Pty Limited *	Australia
CanPrint Communications Pty Limited *	Australia
Integrated Print and Logistics Management Pty Limited *	Australia
McPhersons Printing Pty Limited *	Australia
OPUS Group NZ Holdings Limited	New Zealand
Omnigraphics Limited	New Zealand
Cactus Imaging Limited	New Zealand
F'Digital Limited	New Zealand
F'Displays Limited	New Zealand
Ligare Limited	New Zealand
C.O.S. Printers Pte Limited	Singapore

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 33.

All investments represent 100% ownership interest.

19. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Freehold land and buildings		
At cost	2,633	2,633
Accumulated depreciation	(478)	(280)
Total Freehold land and buildings	2,155	2,353
Leasehold improvements		
At cost	2,064	1,439
Accumulated depreciation	(1,374)	(915)
Total leasehold improvements	690	524
Total property assets	2,845	2,877
Plant and equipment		
At cost	70,707	66,231
Accumulated depreciation	(50,258)	(42,720)
Total plant and equipment	20,449	23,511
Office furniture and equipment		
At cost	911	640
Accumulated depreciation	(630)	(387)
Total office furniture and equipment	281	253
Motor vehicles		
At cost	789	613
Accumulated depreciation	(693)	(503)
Total motor vehicles	96	110
Computer equipment		
At cost	4,939	3,633
Accumulated depreciation	(3,719)	(2,252)
Total computer equipment	1,220	1,381
Total property, plant and equipment	24,891	28,132

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Land and buildings *AUD$'000s*	Plant and equipment *AUD$'000s*	Office furniture and equipment *AUD$'000s*	Motor vehicles *AUD$'000s*	Leasehold improvements *AUD$'000s*	Computer equipment *AUD$'000s*	Total *AUD$'000s*
Carrying amount							
Balance at 1 July 2012	7,713	29,459	311	84	788	1,651	40,006
Other additions	3	1,967	61	84	69	823	3,007
Disposals	(4,956)	(124)	(5)	(1)	(2)	(2)	(5,090)
Reclassified to discontinued operations	–	(1,514)	(64)	(17)	(221)	(139)	(1,955)
Effect of movements in exchange rates	(21)	315	40	9	18	40	401
Depreciation for the year	(386)	(6,592)	(90)	(49)	(128)	(992)	(8,237)
Balance at 30 June 2013	2,353	23,511	253	110	524	1,381	28,132

	Land and buildings *AUD$'000s*	Plant and equipment *AUD$'000s*	Office furniture and equipment *AUD$'000s*	Motor vehicles *AUD$'000s*	Leasehold improvements *AUD$'000s*	Computer equipment *AUD$'000s*	Total *AUD$'000s*
Carrying amount							
Balance at 1 July 2013	2,353	23,511	253	110	524	1,381	28,132
Reclassified from discontinued operations	–	1,514	64	17	221	139	1,955
Other additions	–	1,287	66	15	35	547	1,950
Disposals	–	(106)	–	(1)	–	(6)	(113)
Effect of movements in exchange rates	–	84	(34)	–	19	(32)	37
Depreciation for the year	(198)	(5,841)	(68)	(45)	(109)	(809)	(7,070)
Balance at 30 June 2014	2,155	20,449	281	96	690	1,220	24,891

(b) Sale and leaseback transaction

In March 2013 C.O.S. Printers Pte Limited disposed of the operational facility building in Singapore and entered into an agreement to lease it back for the next 10 years. Since the duration of the lease does not cover substantially most of the expected useful life of the building, it is appropriate to classify it as an operating lease in line with the requirements of AASB 117 Leases. A gain of $3,425,000 was recorded on the disposal.

As part of the sale and leaseback agreement, C.O.S. Printers Pte Limited prepaid land tax equivalent to AUD$1,169,000, the unamortised cost of which is recorded as a non-current asset on the statement of financial position.

(c) Finance Leases

The OPUS Group leases certain printing assets under finance lease agreements. The net carrying amount of these assets at 30 June 2014 is $2,580,000 (2013: $3,372,000). The leased printing assets secure the subgroups lease obligation.

(d) Non-current assets pledged as security

Refer to Note 24 for information on non-current assets pledged as security by the parent entity and its controlled entities.

20. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Goodwill	16,779	46,750
Total intangibles	16,779	46,750

(a) Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the financial year are set out below:

Carrying amount

	Goodwill
	AUD$'000s
Balance at 1 July 2012	50,513
Acquisitions through business combination	1,438
Effect of movements in exchange rates	1,244
Reclassified to disposal group	(6,445)
Balance at 30 June 2013	46,750
Balance at 1 July 2013	46,750
Reclassified from disposal group	6,445
Effect of movements in exchange rates	1,672
Less: Impairment loss	(38,088)
Balance at 30 June 2014	16,779
At 30 June 2014	
Cost	54,867
Accumulated amortisation and impairment	(38,088)
Net book amount	16,779

(b) Impairment testing

For the purpose of impairment testing, goodwill is allocated to the OPUS Group's cash generating units ('CGU') which represent the lowest level that independent cash flows are generated (as at the reporting date)

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Consolidated 30 June 2014 *AUD$'000s*	Consolidated 30 June 2013 *AUD$'000s*
Publishing Services Australia	–	30,148
C.O.S. Printers Pte Limited (1)	10,334	16,602
Cactus Australia	6,445	6,445
Total goodwill	16,779	53,195
Reclassified to disposal group (2)	–	(6,445)
Total goodwill presented	16,779	46,750

(1) Change in COS goodwill relates to an impairment provision of $7.9m and the FX movements with a deterioration in the AUD against the NZD, noting the goodwill is denominated in NZD as the acquirer was OPUS Group NZ Holdings Limited.

(2) Following the Group's Strategic review undertaken in the first half of FY14, a decision was made to retain the Outdoor Media Division. As such, unlike OPUS Limited's Annual Report 2013, goodwill derived from the Outdoor Media is included as a Continuing Operation in the Statement of Financial Position.

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial forecasts covering a one year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each CGU, the OPUS Group has applied a pre-tax discount rate to discount the forecast future attributable pre-tax cash flows.

When determining the carrying value of the cash generating unit an allocation of the OPUS Group's corporate asset base has been made to each unit.

The value-in-use has been based on the following key assumptions:

CGU	EBITDA growth rate (2 to 5 years)	Terminal value growth rate	Discount rate (pre-tax)	Capex Growth Rate
Publishing Services Australia	1%	2%	17%	23%
C.O.S. Printers Pte Limited	3%	2%	15%	10%
Cactus Australia	3%	0%	17%	10%

Cash flows of each CGU have been projected based on the adjusted actual historical operating results and a forecast which has been extended for 4 years using EBITDA growth assumptions noted above applicable to each CGU.

Terminal cash flows beyond 5 years forecast of each CGU were extrapolated using a constant growth rate as noted above. Growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGU's operate.

The forecasts for the purposes of each of the value in use calculations are most sensitive to changes in the projected cash flows in year 1, the terminal year and the discount rate.

The Board have reviewed the sensitivities of each CGU's recoverable value for the above noted assumptions.

Based on the sensitivities to the key assumptions noted above, if C.O.S. Printers Pte Limited's forecasted cash flows for year 1 were 5% lower and a 1% increment on the post-tax discount rate and 1% reduction on the year on year growth rate, an additional impairment of $3 million would be required.

One of the key assumptions is the inclusion of capital expenditure cash flows. These are forecasted to grow at a rate of 10% for Cactus Australia and C.O.S. Printers Pte Limited and 23% for Publishing Australia over the forecast period. The magnitude and timing of these cash flows is within the control of OPUS Group management.

The Board believe that there are no other reasonably possible changes in any of the key assumptions used in the impairment models which would cause the carrying value of a CGU to equal its recoverable amount. The Board believe that the key assumptions used in the impairment models are appropriate and support the carrying amount of the individual CGUs.

Impairment of Publishing Services Australia and C.O.S.

During the current year impairment charge of $30,148,000 and $7,940,000 were recognised against the goodwill relating to Publishing Services Australia and C.O.S. Printers Limited respectively. The recoverable amount used in the goodwill calculations was based on a value-in-use model. The impairment charge is a direct result of the downgrade in earnings generated from operations by Publishing Services Australia and C.O.S. Printers Limited. The loss of a major customer in Publishing Services Australia as outlined in the ASX announcement on 19 February 2014 caused the profit downgrade and the tough trading environment in the Publishing Services market. The impairment of C.O.S. Printers Pte Limited was a result of a more conservative assessment of future cash flows. The recoverable amount of C.O.S Printers Pte Limited after the impairment is $16,467,000.

The discount rate and other key assumptions used in the value-in-use calculations are disclosed above.

21. NON-CURRENT – DEFERRED TAX BALANCES

Deferred tax assets

	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Deferred tax assets are attributable to the following		
Property, plant and equipment	–	1,538
Employee benefits	–	1,452
Other provisions/accruals	–	727
Inventories	–	46
Doubtful debts	–	52
Cash flow hedges	–	469
Tax losses	–	–
Total deferred tax assets	–	4,284
Set off deferred tax liabilities	–	(176)
Net deferred tax assets	–	4,108

Movements

	Plant & Equipment	**Employee Benefits**	**Restructuring costs**	**Cash flow hedges**	**Tax losses**	**Other**	**Total**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Opening balance 30 June 2012	1,353	1,799	445	529	1,388	227	5,741
(Charged)/credited to income statement – *Note 10a*	186	(121)	(445)	(112)	–	683	191
De-recognition of Australian tax losses previously recognised	–	–	–	–	(1,388)	–	(1,388)
Transfer of deferred tax to discontinued operation	–	(216)	–	–	–	(72)	(288)
Charged to equity – *Note 10c*	–	–	–	52	–	–	52
Under/(over) provision in prior years	(1)	(10)	–	–	–	(189)	(200)
Closing balance 30 June 2013	1,538	1,452	–	469	–	649	4,108
Opening balance 1 July 2013	1,538	1,452	–	469	–	649	4,108
Reinstated disposal group	–	216	–	–	–	72	288
De-recognition of Australian tax losses previously recognised							
– charge to income statement *note 10a*	(1,538)	(1,668)	–	(212)	–	(721)	(4,139)
– charge to equity *note 10c*	–	–	–	(301)	–	–	(301)
Under/(over) provision in prior years	–	–	–	44	–	–	44
Closing balance 30 June 2014	–	–	–	–	–	–	–

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Deferred tax assets to be recovered within 12 months	–	1,466
Deferred tax assets to be recovered after more than 12 months	–	2,642
Total deferred tax assets	–	4,108

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Consolidated Balance Sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the OPUS Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. At 30 June 2014, the Group had not recognised deferred tax asset of $13,268,000 (2013: $6,231,000), which includes tax losses $8,665,000 (2013: $6,231,000) and temporary difference $4,603,000 (2013: $nil) in the Australian and New Zealand businesses. It has been considered appropriate to expense the deferred tax asset as they are not deemed recoverable in the near future.

Deferred tax liabilities

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	683	801
Inventories	122	105
Other	72	–
Total deferred tax liabilities	877	906
Set off deferred tax assets	(273)	(176)
Net deferred tax liabilities	604	730

Movements

	Plant and Equipment	**Others**	**Total**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*
Closing balance 30 June 2012	959	–	959
Charged to income statement – *Note 10a*	(285)	–	(285)
Foreign exchange	56	–	56
Closing balance 30 June 2013	730	–	730
Charged to income statement – *Note 10a*	(186)	–	(186)
Foreign exchange	(4)	64	60
Closing balance 30 June 2014	540	64	604

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Deferred tax liabilities to be settled within 12 months	604	730
Deferred tax liabilities to be settled after more than 12 months	–	–
Net deferred tax liabilities	604	730

22. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Trade creditors	7,169	8,285
Other payables and accruals	7,014	3,823
Total trade and other payables	14,183	12,108

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Current Liabilities		
Interest rate swaps – cash flow hedges	1,053	717
Total current derivative liabilities	1,053	717
Non-Current Liabilities		
Interest rate swaps – cash flow hedges	–	845
Total non-current derivative liabilities	–	845
Total derivative liabilities	1,053	1,562

The interest rate swaps cover $41,800,000 (2013: $45,000,000) of the OPUS Group's floating debt exposure and are timed to expire over the debt facility term in line with the specified repayment schedule of the facility. The fixed rates range between 4.54% and 4.61% (2013: 4.54% to 4.6%). The floating rate component tracks BBSY. The contracts require settlement of net interest on a quarterly basis. The settlement dates coincide with the dates when interest is payable on the debt facility. On 31 July 2014, the hedging agreement was cancelled without charges.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve to the extent that the hedge is effective. There was no material hedge ineffectiveness in the current year or prior year.

24. INTEREST BEARING LIABILITIES

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Current liabilities		
Secured bank loan	49,782	25,963
Convertible loan notes	–	3,137
Finance leases	1,182	863
Total current interest bearing liabilities	50,964	29,963
Non-current liabilities		
Secured bank loan	–	26,421
Finance leases	1,398	2,244
Total non-current interest bearing liabilities	1,398	28,665
Total interest bearing liabilities	52,362	58,628

CBA debt financing

At 30 June 2014, the CBA secured bank loan was classified as a current liability because the Group could not meet several covenants attached to the CBA loan facilities. On 30 June 2014, CBA signed a standstill agreement with the Group. In accordance with the standstill agreement, CBA extended the loan maturity date, deferred the overdue loan repayment and waived the covenant requirements until 15 July 2014 (the 'Deferral Date'). Subsequently, the Deferral Date was further extended to 31 July 2014 when the loan was novated to 1010 Group.

The terms of the loan CBA facilities require OPUS Group Limited and each of its subsidiaries to be guarantors. Each guarantor grants security over its assets (including a fixed and floating charge) in favour of CBA to support that guarantee in the form of a General Security Deed containing a specific security over shares or units in any unit trust held by that guarantor.

Convertible notes

During the year, the Group issued and allotted total of 97,444,078 fully paid ordinary shares to the convertible loan notes holders as detailed in note 26.

Movements in Convertible notes

Details	**Consolidated**		**Consolidated**	
	30 June 2014	**30 June 2013**	**30 June 2014**	**30 June 2013**
	Number of Unit	*Number of Unit*	*AUD$'000s*	*AUD$'000s*
Balance at 1 July	30,000	–	3,218	–
Convertible notes issued during the year	4,000	30,000	400	3,000
Interest on the loan note capitalised	–	–	173	218
Convertion of convertible loan note to ordinary shares @$0.0390	(24,000)	–	(2,672)	–
Convertion of convertible loan note to ordinary shares @$0.0387	(10,000)	–	(1,119)	–
Balance at 30 June	–	30,000	–	3,218

25. PROVISIONS

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Employee benefit liability for annual leave and time in lieu	2,603	2,081
Employee benefit liability for long service leave – current	2,553	2,420
Deferred consideration for BlueStar acquisition – current	698	782
Total current provisions	5,854	5,283
Employee benefit liability for long service leave – non-current	553	386
Deferred consideration for BlueStar acquisition – non-current	–	656
Total non-current provisions	553	1,042
Total provisions	6,407	6,325

The current provision for employee benefits includes accrued annual leave, time in lieu and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The entire amount is classified as current, since the OPUS Group does not have an unconditional right to defer settlement. Based on past experience the OPUS Group does not expect all employees to take the full amount of leave or require payment within 12 months. At 30 June 2014 management estimate that approximately $1,870,000 (2013: $2,137,000) of the above employee entitlement provision will not be taken within 12 months.

Settlement of the consideration for the acquisition will occur on a deferred basis over a two year period, based on the actual revenue contribution with minimum thresholds in place. The deferred consideration is contingent on revenues generated from Blue Star customers using a contractual formula to assess the contribution of customers which were shared by the two entities.

26. SHARE CAPITAL

	Consolidated		Consolidated	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	Shares	*Shares*	*AUD$'000s*	*AUD$'000s*
Ordinary shares				
Fully paid	53,678,177	53,678,177	39,353	39,353
Issued and fully paid during the year	97,444,078	–	3,777	–
Fully paid	151,122,255	53,678,177	43,130	39,353

Movements in ordinary share capital

	Consolidated	
	Number of Shares	*AUD$'000s*
Details		
Opening balance 1 July 2012	53,678,177	39,353
Net change for the year	–	–
Balance 30 June 2013	53,678,177	39,353
Convertion of convertible loan note @$0.0390	68,527,794	2,672
Convertion of convertible loan note @$0.0387	28,916,284	1,119
	151,122,255	43,144
Less: Transaction costs arising on shares issue	–	(14)
Balance 30 June 2014	151,122,255	43,130

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the there is no limit on the amount of authorised capital.

The Group issued and allotted 68,527,794 fully paid ordinary shares to Knox OPUS LP ('Knox'), following the conversion of $2,400,000 and capitalised interest of $272,584 of the convertible notes on issue to Knox as at 1 November 2013.

Further, the Group issued and allotted 28,916,284 fully paid ordinary shares to an associated entity of Richard Celarc ('Richard Celarc'), following the conversion of $1,000,000 and capitalised interest of $119,060 of the convertible notes on issue to Richard Celarc as at 7 November 2013.

The shares had been issued in accordance with the Secured Redeemable Convertible Note Facility Deed dated 28 March 2013 and approved by shareholders at the 28 March 2013 General Meeting of the Company. The ordinary shares issued to Knox and Richard Celarc rank equally and are issued on the same terms as all other ordinary shares on issue.

27. RESERVES AND ACCUMULATED LOSSES

	Consolidated 30 June 2014	Consolidated 30 June 2013 (Restated)
	AUD$'000s	*AUD$'000s*
(a) Reserves		
Hedging reserve – cash flow hedges	(922)	(834)
Foreign currency translation reserve	2,317	519
	1,395	(315)
Hedging reserve – cash flow hedges		
Balance 1 July	(834)	(929)
Changes in fair value of hedges net of tax	(88)	95
Balance 30 June	(922)	(834)
Foreign currency translation reserve		
Balance 1 July	519	(801)
Exchange differences on the translation of internal borrowings	4,319	405
Exchange differences on the translation of foreign operations	(2,521)	915
Balance 30 June	2,317	519
(b) Accumulated losses		
Balance 1 July	(6,992)	(4,145)
Loss after tax	(47,073)	(2,847)
Balance 30 June	(54,065)	(6,992)

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(ii) Foreign currency translation reserve

The hedging reserve comprises all foreign currency differences arising from the translation on consolidation of the financial statements of the subsidiaries, which do not have an Australian Dollar functional currency.

The OPUS Group funds its foreign operations through the use of internal borrowings between the OPUS Group businesses. These borrowings which are taken out to provide additional equity to the New Zealand operations has been designated as a net investment in the subsidiary. The foreign exchange loss of $4,319,000 (2013: $405,000 gain) on translation of the loans to Australian Dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

28. CONTRACTUAL COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Aggregate capital expenditure contracted for at balance sheet date, but not provided for in the accounts due:		
Not later than one year	–	86
Total capital commitments	–	86

(b) Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Less than a year	4,074	2,463
Between one and five years	9,773	6,733
More than five years	2,384	3,296
Total lease commitments	16,231	12,492

The OPUS Group leases land, printing assets, warehouses and general office equipment. Certain of the properties are leased from related parties. Refer to Note 30 for details of these related party leases.

(c) Finance lease commitments

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Commitments in relation to Finance lease payments are payable as follows:		
Not later than one year	1,347	1,049
Later than one year but not later than five years	1,499	2,448
	2,846	3,497
Future finance charges	(266)	(390)
Recognised as a liability	2,580	3,107
Representing finance lease		
Current – *Note 24*	1,182	863
Non-current – *Note 24*	1,398	2,244
Total finance leases	2,580	3,107

The OPUS Group leases offices, warehouses, plant and machinery and motor vehicles under non-cancellable operating leases and Finance lease arrangements expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are generally re-negotiated.

29. CONTINGENT LIABILITIES

The obligations of the controlled entities under an operating lease agreement are partly secured by a bank guarantee.

The terms of the CBA facilities require OPUS Group Limited and each of its subsidiaries to be guarantors in respect of the debt. Each guarantor grants security over its assets (including a fixed and floating charge) in favour of CBA to support that guarantee in the form of a General Security Deed containing a specific security over shares or units in any unit trust held by that guarantor. On 31 July 2014, the guarantee deed together with the CBA loan was novated to 1010 Printing Group Limited.

30. RELATED PARTIES

Key management personnel compensation

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Short-term employee benefits	1,248	1,500
Post-employment benefits	77	83
Long-term benefits	10	1
Total key management personnel compensation	1,335	1,584

Details of above remuneration disclosures are provided in the Remuneration Report on pages II-66 to II-74.

Lease costs

Ligare Pty Limited occupies a property in Riverwood, Sydney under a lease agreement with D.M.R.A Property Pty Limited a company controlled by Mr Celarc, who is a shareholder and Director of OPUS Group Limited. The lease agreement expires in December 2016. Lease fees paid for the year total $688,885 (2013: $621,000). $58,989 was outstanding at the reporting date (2013: $2,000).

Consulting fees

Consulting fees paid to Mr Celarc (Director) through Angrich Pty Limited Consulting for the year ended 30 June 2014 amounted to $150,000 (2013: $295,000).

Loans to key management personnel

In 2007 and 2009, loans were provided to the Company's Chief Executive Officer to purchase an ownership interest in the Group. The Company has recourse to and security over the shares purchased by the Chief Executive Officer. These loans were accounted for as a receivable from the Chief Executive Officer to the Company in previous Financial Reports of the Company. It has been identified in the current year that this arrangement would be more appropriately accounted for as an option over the shares with the loan balance representing a theoretical strike price.

The prior year balances have been restated to reflect this revised accounting treatment as detailed in note 34.

Short-term loan from existing shareholders with conversion option

During the year, the Group issued and allotted total of 97,444,078 fully paid ordinary shares to the convertible loan notes holders as detailed in note 26.

Shareholdings

The number of ordinary shares in the OPUS Group held during the financial year by each Director of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year	Balance at the date of this report
Directors of OPUS Group Limited				
William J. Mackarell *(Chairman)*	60,000	–	60,000	60,000
Richard F. Celarc	7,826,627	29,189,076	37,015,703	37,015,703
Bret P. Jackson	18,772,623	68,260,002	87,032,625	87,032,625
Simon A. Rowell	54,381	–	54,381	54,381
James M. Sclater	66,980	–	66,980	66,980
M. J. McGrath *(resigned 31 July 2013)*	25,025	(1,025)	24,000	24,000
Other key management personnel of the Group				
Robert I. Alexander	–	–	–	–
Clifford D. J. Brigstocke	1,704,117	–	1,704,117	–

Shareholdings held by the above key management personnel in the share capital of OPUS Group Limited at 30 June 2013 were:

2013

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of OPUS Group Limited			
William J. Mackarell *(Chairman)*	60,000	–	60,000
Richard F. Celarc	7,826,627	–	7,826,627
Bret P. Jackson	18,772,623	–	18,772,623
Simon A. Rowell	54,381	–	54,381
James M. Sclater	50,000	19,980	69,980
Matthew J. McGrath	25,025	–	25,025
Other key management personnel of the Group			
Robert I. Alexander	–	–	–
Clifford D. J. Brigstocke	1,704,117	–	1,704,117

31. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Recapitalisation

As announced in previous market releases dated 28 July, 5 August 2014, 1010 Printing Group Limited (HKG: 1127) ('1010 Group') completed the acquisition of the debt facility through novation from the Commonwealth Bank of Australia ('CBA') on 31 July 2014. 1010 Group has replaced CBA as the Group's senior financer.

Apart from the $51,282,000 loan novated to 1010 Group, the Group issued a promissory note of $1,900,000 to CBA carrying interest at 6% p.a. with a repayment date on 31 Jul 2015. The hedging agreement was terminated without charges.

Immediately after the novation, 1010 Group has signed a standstill agreement with the Group. Pursuant to the standstill agreement, 1010 Group extended the loan maturity date, deferred the overdue loan repayment and waived the covenant requirements until 8 August 2014 (the 'Deferral Date'). Subsequently, the Deferral Date was further extended to 15 November 2014. The applicable interest rate was reduced for a three months period and a working capital facility of $7,000,000 was provided by 1010 Printing to provide the Group with financial accommodation for the period through to completion of a proposed recapitalisation.

On 4 September 2014, OPUS Group signed a recapitalisation program deed with 1010 Group and a placement agreement with Wilson HTM Corporate Finance Limited. 1010 Group will convert $20,880,000 of the loan to equity of OPUS and forgive the balance of the loan. OPUS will issue 20 million options to 1010 Printing to subscribe for 20 million shares of OPUS at a total exercise price of $7,000,000, exercisable at any time up to and including 30 September 2017. OPUS group will issue shares to professional and sophisticated investors to raise $4,000,000 and Mr. Richard Celarc to raise $3,000,000. A maximum of $1,050,000 will be raised through a share purchase plan by existing shareholders. The recapitalisation plan is subject to shareholders approval (announcement released on 4 September 2014).

Once implemented, the proposed recapitalisation will enable the Group's business to move forward on a strong and fully funded basis. The Group will have remaining an unsecured promissory note owed to CBA for $1,900,000 repayable on 31 July 2015 and $2,580,000 finance lease.

Rationalisation

The Directors have taken a number of actions to improve the Group's profitability and expect an improvement in operating results. Efficiency gains will be achieved through a reduction of headcount and overtime following an increase in overall labour efficiency. In August 2014, OPUS Group has announced approximately 70 redundancies at an additional cost of approximately $2,500,000. The programme is expected to be completed by end of October 2014.

32. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

As at and throughout the financial year ended 30 June 2014, the legal parent company of the OPUS Group was OPUS Group Limited.

The individual financial statements for the parent entity show the following aggregate amounts:

	Consolidated	
	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Balance sheet		
Current assets	735	2,481
Non-current assets	45,811	95,772
Total assets	46,546	98,253
Current liabilities	52,976	28,393
Non-current liabilities	–	30,402
Total liabilities	52,976	58,795
Shareholders' equity		
Issued capital	57,465	53,687
Reserves		
Cash flow hedges	(922)	(834)
Retained earnings	(62,973)	(13,395)
Total shareholders' (deficiency)/equity	(6,430)	39,458
Profit for the year	(49,578)	(35,425)
Other comprehensive income – movement in cashflow hedge	(88)	95
Total comprehensive income	(49,666)	(35,330)

(a) Guarantees entered into by the parent entity

There are cross guarantees given by OPUS Group Limited as described in Note 33. At 30 June 2014 OPUS Group Limited had issued bank guarantees in relation to subsidiary entities to the value of $186,000 (2013: $186,000).

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 (2013: $nil). For information about guarantees given by the parent entity, please see above.

(c) Impairment

OPUS Group Limited recognised an impairment of non-current assets of $64,250,000 in the year ended 30 June 2014 (2013: $23,147,000), comprising impairments in subsidiary investments of $52,018,000 (2013: $20,065,000) and impairment of intercompany receivables of $12,232,000 (2013: $3,082,000).

33. DEED OF CROSS GUARANTEE

OPUS Group Limited, and the following controlled entities, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

Entity	**ACN**
McPherson's Printing Pty Limited	004 911 308
Ligare Pty Limited	001 787 275
CanPrint Communications Pty Limited	079 915 932
Cactus Imaging Holdings Pty Limited	129 630 539
CanPrint Holdings Pty Limited	123 477 377
OPUS Group (Australia) Pty Limited	125 553 497
Cactus Imaging Pty Limited	072 625 720
Union Offset Co. Pty Limited	008 458 099
Integrated Print And Logistics Management Pty Limited	086 158 894

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order and as there are no other parties to the Deed of Cross Guarantee that are controlled by OPUS Group Limited, they also represent the 'Extended Closed Group'.

(a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits

Set out below is a Consolidated Statement of Comprehensive Income and a summary of movements in consolidated retained profits for the year ended 30 June 2014 of the Closed Group.

	30 June 2014	**30 June 2013**
	AUD$'000s	*AUD$'000s*
Revenue from continuing operations	94,245	97,552
Other Income	728	785
Changes in inventories of finished goods, materials and work in progress	(26,920)	(27,037)
Other production costs and freight	(16,225)	(17,001)
Employee benefits expense	(34,572)	(35,171)
Occupancy costs	(3,846)	(4,155)
Depreciation and amortisation expense	(5,350)	(6,499)
Gain/loss on disposal of assets	42	(41)
Impairment expense	(30,334)	(13,858)
Realised foreign exchange gain	–	422
Other expenses	(6,977)	(8,628)
Operating loss before finance costs	(29,209)	(13,631)
Finance revenue	960	1,375
Finance expenses	(7,684)	(7,108)
Net finance costs	(6,724)	(5,733)
Share of net profit/(loss) of associate	11	(116)
Loss before income tax	(35,922)	(19,480)
Income tax expense	(4,139)	(1,367)
Loss after income tax	**(40,061)**	**(20,847)**
Other comprehensive income		
Changes of fair value of cash flow hedges (net of tax)	(88)	95
Other comprehensive income for the year, net of tax	(88)	95
Total comprehensive income	**(40,149)**	**(20,752)**
Summary of movement in retained earnings		
Retained profits at the beginning of the financial year	(14,115)	6,732
Loss after income tax for the year	(40,061)	(20,847)
Accumulated losses at the end of the financial year	**(54,176)**	**(14,115)**

(b) Consolidated Balance Sheet

Set out below is a Consolidated Statement of Financial Position as at 30 June 2014 of the Closed Group:

	30 June 2014	30 June 2013 (Restated)
	AUD$'000s	*AUD$'000s*
Current assets		
Cash and cash equivalents	2,167	2,472
Trade and other receivables	10,797	10,522
Inventories	3,712	4,506
Other current assets	876	1,352
Discontinued assets held for sale	–	10,600
Total current assets	17,552	29,452
Non current assets		
Receivables	19,563	26,550
Other financial assets	1,656	25,535
Property, plant and equipment	20,806	23,424
Deferred tax assets	–	4,108
Total non current assets	42,025	79,617
Total assets	59,577	109,069
Current liabilities		
Bank overdraft and other short-term loans	1,500	1,500
Trade and other payables	11,047	10,144
Finance leases	948	769
Borrowings	49,782	25,963
Shareholder loan	–	3,137
Derivative financial instruments	1,053	717
Provisions	5,843	5,253
Discontinued liabilities held for sale	–	1,871
Total current liabilities	70,173	49,354
Non-current liabilities		
Borrowings	–	26,421
Payables	66	5,593
Derivative financial instruments	–	845
Finance leases	1,398	2,054
Provisions	554	1,042
Total non-current liabilities	2,018	35,955
Total liabilities	72,191	85,309
Net assets	(12,614)	23,760
Equity		
Contributed equity	43,131	39,353
Reserves	(1,569)	(1,478)
Retained earnings	(54,176)	(14,115)
Total equity	(12,614)	23,760

(c) Contingent liabilities and guarantees

The subsidiaries have guaranteed the repayment of borrowings of the OPUS Group. The cross guarantee given by those entities listed may give rise to liabilities in each entity if the subsidiaries do not meet their obligations under the terms of the overdrafts, loans, leases, or other liabilities subject to the guarantee.

(d) Impairment

In the year ended 30 June 2014, the Closed Group recognised an impairment of goodwill of $30,152,000 (2013: $nil), impairment of investment in associate of $182,000 (2013: nil) and an impairment of non-current assets of $nil (2013: $16,940,000) comprising impairments in subsidiary investments of $nil (2013: $13,858,000) and impairment of intercompany receivables of $nil (2013: $3,082,000).

34. RESTATEMENT OF PRIOR YEAR REPORTED BALANCES

On 16 May 2013, OPUS group announced that it undertook a strategic view of its Outdoor Media Division. The review followed the disposal of a number of non-core assets with the proceeds used to pay down debt. Following the review of the group business in the first half of FY14, the Outdoor Media Division has been regroup and reclassified back to the continued operations line.

In 2007 and 2009, loans were provided to the Company's Chief Executive Officer to purchase an ownership interest in the Group. The Company has recourse to and security over the shares purchased by the Chief Executive Officer. These loans were accounted for as a receivable from the Chief Executive Officer to the Company in previous Financial Reports of the Company. It has been identified in the current period that this arrangement would be more appropriately accounted for as an option over the shares with the loan balance representing a theoretical strike price.

The prior year balances have been restated to reflect this revised accounting treatment. The adjustments made and the restated balances are outlined in the table below:

	As Previously Presented	Adjustment	Restated
	AUD$'000s	*AUD$'000s*	*AUD$'000s*
Year ended 30 June 2013			
Opening accumulated losses as at 1 July 2012	(3,075)	(1,070)	(4,145)
Other current assets	3,445	(1,070)	2,375
Interest income for the period	116	(65)	51
Loss before tax	(523)	(65)	(588)
Net loss after tax	(2,780)	(65)	(2,845)
Year ended 30 June 2014			
Opening accumulated losses as at 1 July 2013	(5,857)	(1,135)	(6,992)

Remuneration Report

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

- Key management personnel identification
- Principles used to determine the nature and amount of remuneration
- Remuneration and other transactions with key management personnel

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

Key management personnel identification

The key management personnel (as defined in AASB 124 Related Party Disclosures) of OPUS Group are the Directors and the following executives, as they had authority and responsibility for planning, directing and controlling the activities of the OPUS Group, directly or indirectly, during the financial year:

Name	Position	Employer
Clifford D. J. Brigstocke	Chief Executive Officer	OPUS Group Australia Pty Limited
Robert I. Alexander*	Chief Financial Officer/ Joint Company Secretary	OPUS Group Australia Pty Limited

* resigned 17 March 2014

Principles used to determine the nature and amount of remuneration

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

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage and alignment of executive compensation;
- Transparency; and
- Capital management.

OPUS Group has a remuneration policy and structure that is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the achievement of the Company's strategies and goals.

Remuneration is accordingly set to the following principles:

- No individual may be involved directly in determining his or her remuneration. External advice is sought in relation to remuneration where appropriate;
- Remuneration disclosure to shareholders will at a minimum comply with the requirements of legislation and Accounting Standards; and
- Remuneration for Directors is determined by the Board and/or the Nomination and Remuneration Committee within the maximum amount determined by shareholders from time to time at the Company's Annual General Meeting. Non-executive Directors may not participate in any incentive schemes that are established.

The remuneration framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current year.

Use of remuneration consultants

The Group engaged KPMG to review and structure a long-term incentive plan for Key Management Personnel last year. The proposed plan has been deferred as it was not deemed appropriate at the time given business performance and current share price. Remuneration paid to KPMG in respect of this work in this year was $nil (2013: $6,500).

Nomination and Remuneration Committee

OPUS Group has a Nomination and Remuneration Committee which has been established by the Board of Directors to annually review, evaluate and make recommendations to the Board in relation to remuneration, including:

- Director remuneration;
- Staff incentive plans proposed by the Chief Executive Officer, including bonus, share and option plans, and the basis of their application;
- Salary, benefits and total remuneration packages of the Chief Executive Officer and other senior executives; and
- Substantial changes to the principles of the OPUS Group's superannuation arrangements.

Remuneration and other transactions with key management personnel

Key management personnel remuneration

Directors' fees are determined within an aggregate Directors' fee pool limit. For the financial year ended 30 June 2014 and in respect of each financial year thereafter and until otherwise determined by a resolution of OPUS Group shareholders, the maximum aggregate remuneration payable to all Directors of the OPUS Group for their services as Directors including their services on a Board or committee or sub-committee and including superannuation is limited to $600,000 per annum (in total). Services provided which are not in the capacity as a Director (e.g. general consulting) are excluded from the limit.

The Chairman and other non-executive Directors receive additional fees for their membership of the Board's Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee. Directors may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their Directors' or committee membership fees, to any complying nominated superannuation fund.

The total fixed remuneration packages inclusive of superannuation and other benefits for Key Management Personnel of the OPUS Group at the date of this report are as follows:

Name	Term of Agreement	Total Fixed Remuneration	Notice Period by Executive	Notice Period by OPUS Group	Termination Payment
Clifford D.J. Brigstocke	Open	$390,875*	12 months	12 months	12 months
Robert I. Alexander#	Open	$300,437*	6 months	9 months	6 months

* Inclusive of superannuation
\# Resigned 17 March 2014

Base pay is structured as a package amount which may be delivered as cash and prescribed non-cash financial benefits, including motor vehicles and additional superannuation contributions at the executive's discretion. Base pay is reviewed annually to reflect increases in responsibility and to ensure that the executive's pay is competitive in the market for a comparable role. There are no guaranteed base pay increases included in any Senior Executives' contracts.

Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

Short-term performance incentives

Short-term incentives in the form of cash bonuses are available to senior executives providing the OPUS Group or the operating division or business most closely aligned with the executive's area or areas of responsibility achieve or exceed pre-determined profit and other financial targets and that the senior executive achieve key personal performance objectives. Adjusted EBITDA performance targets consistent with those disclosed in the segment reporting note of this Annual Financial Report have been selected because this ensures that variable reward is only available when value has been created for shareholders and when financial and other targets are consistent with or exceed the business plan.

Each year the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators together with the level of payout if targets are met or exceeded. Short-term incentive-based remuneration is generally set as a percentage of base salary relative to the role of the individual participating in the incentive program. Financial performance linked incentives for key management personnel were focused on Adjusted EBITDA targets and cash flow realisation and were potentially payable up to 50% of their base remuneration including superannuation.

An assessment regarding eligibility for a cash bonus is made by reference to actual performance outcomes when these are known following the conclusion of the financial year. Short-term incentives are normally payable following the end of the financial year to which the incentive relates.

Link of historical financial performance to performance incentives

Short terms incentive payments paid to Mr. Brigstocke in FY13 were in relation to the achievement of the merger of the McPherson's Printing business into the OPUS Group's operational structure and the achievement of integration and synergy activities subsequent to the merger transaction.

For the year ended 30 June 2014, no short-term performance were paid to key management personnel due to the operating performance for the OPUS Group not meeting these targets.

A table summarising the short-term incentive plan payments which could have been potentially paid if the relevant targets were achieved and those that were actually paid or payable is summarised on the following page.

KMP	Base remuneration including superannuation for the year	Total financial performance-linked incentive potential	Financial performance-linked incentive paid (% of potential)	Total non-financial performance-linked incentive potential	Non-financial performance-linked incentive paid (% of potential)	Total incentive paid to key management personnel (% of potential)
Clifford D. J. Brigstocke	$389,968	$150,000	Nil (0%)	Nil (0%)	Nil (0%)	Nil (0%)
Robert I. Alexander	$330,092	$0	Nil (0%)	Nil	Nil (0%)	Nil (0%)

Under the current operating structure financial performance specifically linked to Adjusted EBITDA is a key element of the quantification of performance incentives on a going forward basis.

As the Company became public in April 2012, historically there has not been a direct link between share price performance, shareholder dividend returns and other total shareholder return measures and the performance incentives issued to key management personnel.

A linkage to total shareholder return is expected to be built into the proposed long-term incentive plan as appropriate.

Long-term performance incentives

The OPUS Group is in the process of establishing a long-term incentive plan for key management personnel and as noted earlier in this report has been obtaining advice from KPMG in this regard.

The proposed plan has been deferred as it was not deemed appropriate at the time given business performance and current share price.

Retirement benefits

Retirement benefits are delivered by a number of superannuation funds selected by the OPUS Group or the executive. Executives may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their base package amount, to any complying nominated superannuation fund.

Performance assessment

The process for reviewing the performance of Senior Executives is undertaken by the Chief Executive Officer.

The Chairman is responsible for meeting with the individual Directors to discuss their individual performance and contribution to the Board however the Nomination and Remuneration Committee oversee this function. The performance of the Chief Executive Officer is monitored and assessed by the members of the Nomination and Remuneration Committee.

The Chairman of the Nomination and Remuneration Committee is Mr Rowell, a non-executive Director. The other members of the Committee are Mr Jackson and Mr Mackarell, both of whom are non-executive Directors. All Committee members are non-executive Directors.

Details of remuneration

Details of the remuneration of the Directors of the OPUS Group, the other key management personnel and the other highest remunerated executives of the OPUS Group are set out in the following tables.

FY14		**Short-term benefits**		**Post-employment benefits**	**Long-term benefits**		**Share-based payments**		
Name	**Cash salary and fees**	**Cash bonus**	**Non-monetary benefits**	**Super-annuation**	**Long Service Leave**	**Termination benefits**	**Options**	**Total**	**Proportion of remuneration linked to performance**
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	
Directors of OPUS Group Limited									
William J. Mackarell *(Chairman)*	102,000	–	–	9,435	–	–	–	111,435	0%
Richard F. Celarc[3]	210,000	–	–	5,550	–	–	–	215,550	0%
Bret. P. Jackson	78,480	–	–	–	–	–	–	78,480	0%
Simon. A. Rowell	76,000	–	–	7,030	–	–	–	83,030	0%
James. M. Sclater	70,000	–	–	6,300	–	–	–	76,300	0%
Matthew J. McGrath (resigned 31 July 2013)	5,500	–	–	509	–	–	–	6,009	0%
Other Group Key Management Personnel									
Robert I. Alexander	306,809	–	–	23,283	–	–	–	330,092	0%
Clifford D. J. Brigstocke	367,662	–	31,598	25,000	9,839	–	–	434,099	0%
Total remuneration	1,216,451	–	31,598	77,107	9,839	–	–	1,334,995	

FY13		Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long Service Leave	Termination benefits	Options	Total	Proportion of remuneration linked to performance
	$	$	$	$	$	$	$	$	
Directors of OPUS Group Limited									
William J. Mackarell *(Chairman)*	102,000	–	–	9,180	–	–	–	111,180	0%
Richard F. Celarc[3]	355,000	–	–	5,400	–	–	–	360,400	0%
Bret. P. Jackson	78,480	–	–	–	–	–	–	78,480	0%
Simon. A. Rowell	76,000	–	–	6,840	–	–	–	82,840	0%
James. M. Sclater	70,000	–	–	6,300	–	–	–	76,300	0%
Matthew J. McGrath (resigned 31 July 2013)	72,600	–	–	6,534	–	–	–	79,134	0%
Other Group Key Management Personnel									
Robert I. Alexander	277,606	–	–	24,750	–	–	–	302,356	0%
Clifford D. J. Brigstocke	416,199	51,600	29,688	24,348	1,278	–	–	523,113	10%
Total remuneration	1,447,885	51,600	29,688	83,352	1,278	–	–	1,613,803	

(1) Cash salary and fees includes movements in the annual leave provision where applicable.

(2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses.

(3) Remuneration disclosed for FY14 includes $150,000 (FY13 $295,000) of consulting fees related to Mr Celarc's role consulting to the Publishing Services division for the OPUS Group. These fees are excluded from the limit of Director remuneration as disclosed on page II-68.

Amounts disclosed as remuneration of Directors and Executives exclude premiums paid by the consolidated entity in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is disclosed on page II-74.

Shareholdings

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2014

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year	Balance at the date of this report
Directors of OPUS Group Limited				
William J. Mackarell *(Chairman)*	60,000	–	60,000	60,000
Richard F. Celarc	7,826,627	29,189,076	37,015,703	37,015,703
Bret P. Jackson	18,772,623	68,260,002	87,032,625	87,032,625
Simon A. Rowell	54,381	–	54,381	54,381
James M. Sclater	66,980	–	66,980	66,980
M. J. McGrath (resigned 31 July 2013)	25,025	(1,025)	24,000	24,000
Other key management personnel of the Group				
Robert I. Alexander	–	–	–	–
Clifford D.J. Brigstocke	1,704,117	–	1,704,117	–

Convertible notes

The number of convertible notes held during the financial year by each Director and other key management personnel of OPUS Group Limited. Movement is detailed in note 24.

Name	Balance at the start of the year *(Unit)*	Changes during the year *(Unit)*	Balance at the end of the year *(Unit)*	Balance at the date of this report *(Unit)*
Directors of OPUS Group Limited				
Richard F. Celarc and related entities	9,000	(9,000)	–	–
Bret P. Jackson[1] and related entities	21,000	(21,000)	–	–

[1] Mr Jackson is a director of OPUS Group Limited and a director of the following entities which hold securities in OPUS Group: Knox Investment Partners Fund III AUD 1 Limited, Knox Investment Partners Fund III AUD 3 Limited, Knox Investment Partners Fund III AUD 4 Limited, Knox Investment Partners Fund III AUD 5 Limited and Knox OPUS LP.

Consulting fees

Consulting fees paid to Mr Celarc (Director) through Angrich Pty Limited Consulting for the year ended 30 June 2014 amounted to $150,000 (2013: $295,000). These amounts are disclosed as part of Mr Celarc's remuneration noted above.

Lease costs

Ligare Pty Limited occupies a property in Riverwood, Sydney under a lease agreement with D.M.R.A Property Pty Limited, a company controlled by Mr Celarc, who is a shareholder and Director of OPUS Group Limited. The lease agreement expires in December 2016. Lease fees paid for the year total $688,885 (2013: $621,000). $58,989 was outstanding at the reporting date (2013: $2,000).

Loans to key management personnel

In 2007 and 2009, loans were provided to the Company's Chief Executive Officer to purchase an ownership interest in the Group. The Company has recourse to and security over the shares purchased by the Chief Executive Officer. These loans were accounted for as a receivable from the Chief Executive Officer to the Company in previous Financial Reports of the Company. It has been identified in the current year that this arrangement would be more appropriately accounted for as an option over the shares with the loan balance representing a theoretical strike price.

The prior year balances have been restated to reflect this revised accounting treatment as detailed in note 34.

Indemnification and insurance of officers

The OPUS Group has agreed to indemnify the current Directors and certain current executive of the OPUS Group against all liabilities to another person (other than the OPUS Group or a related body corporate) that may arise from their position as Directors or officers of the OPUS Group, to the extent permitted by law. The indemnity agreement stipulates that the OPUS Group will meet the full amount of such liabilities, including costs and expenses.

The OPUS Group pays a premium to insure Directors and certain officers of the OPUS Group and controlled entities. The officers of the OPUS Group covered by the insurance policy include the current Directors and Secretary of the parent company and its subsidiaries, senior management of the OPUS Group and senior management of divisions and controlled entities of the OPUS Group. As the insurance policy operates on a claims made basis, former Directors and officers of the OPUS Group are also covered.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or controlled entities. The insurance policy outlined above does not contain details of premiums paid in respect of individual Directors and officers of the OPUS Group. The insurance policy prohibits disclosure of the premium paid.

The OPUS Group has not otherwise indemnified or agreed to indemnify an officer or of any related body corporate against a liability incurred by such officer.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPUS GROUP LIMITED

Report on the financial report

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

Independence

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

Auditor's opinion

In our opinion:

1. the financial report of OPUS Group Limited is in accordance with the Corporations Act 2001, including:

    1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

    2. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (a).

Report on the Remuneration Report

We have audited the remuneration report included in pages II-66 to II-74 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of OPUS Group Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Sydney
25 September 2014

Issued by OPUS Group's auditor

(2) The following is the audited financial statements of OPUS Group for the year ended 30 June 2013, which were prepared in accordance with IFRS. These financial statements were presented in thousands of Australian dollars except where otherwise stated. OPUS Group's 2013 financial statements are available free of charge, in printable format on OPUS' website (www.opusgroup.com.au).

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2013

		Consolidated	
		30 June 2013	**30 June 2012 (Restated)**
	Note	*AUD$'000s*	*AUD$'000s*
Revenue from continuing operations	5	97,159	75,240
Other Income	7	1,162	564
Changes in inventories of finished goods, materials and work in progress		(27,461)	(19,842)
Other production costs and freight		(15,455)	(11,457)
Employee benefits expense	8	(34,660)	(26,515)
Occupancy and leasing costs		(4,093)	(3,355)
Depreciation and amortisation expense		(7,527)	(6,124)
Gain on disposal of assets		3,465	8
Cost of closing interest rate swaps		–	(515)
Realised foreign exchange loss	9	(34)	(24)
Other expenses		(8,941)	(5,945)
Operating profit before finance costs		3,615	2,035
Finance revenue		116	74
Finance expenses		(6,651)	(5,079)
Net finance costs		(6,535)	(5,005)
Share of net loss of associate	17	(116)	(14)
Loss before income tax		(3,036)	(2,984)
Income tax expense	10	(1,490)	(351)
Loss after income tax		(4,526)	(3,335)
Profit from discontinued operation (net of income tax)	6	1,744	1,541
Loss after discontinued operation		(2,782)	(1,794)

		Consolidated	
		30 June 2013	**30 June 2012 (Restated)**
	Note	*AUD$'000s*	*AUD$'000s*
Other comprehensive income			
Items that may be reclassified to profit and loss	27a	95	(836)
Changes in fair value of cash flow hedges (net of tax)			
Exchange differences on translation of foreign operations	27a	1,320	315
Other comprehensive income for the full year, net of tax from continuing operations		1,415	(521)
Total comprehensive income for the full year		(1,367)	(2,315)
Continuing operations		(3,080)	(3,844)
Discontinued operations	6	1,713	1,529
Total comprehensive income for the full year		(1,367)	(2,315)
		Cents	*Cents*
Basic loss per share	2	(5.18)	(4.47)
Diluted loss per share	2	(5.18)	(4.47)
Basic loss per share – continuing operations	2	(8.43)	(8.32)
Diluted loss per share – continuing operations	2	(8.43)	(8.32)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes. The 30 June 2012 reported results have been restated to present the Outdoor Media division as a discontinued operation for comparative purposes.

Consolidated Balance Sheet
as at 30 June 2013

		Consolidated	
		30 June 2013	**30 June 2012**
	Note	*AUD$'000s*	*AUD$'000s*
Current assets			
Cash	12	3,163	4,443
Trade and other receivables	13	12,641	16,088
Inventories	14	5,127	7,270
Other current assets	15	3,510	2,700
Assets classified as held for sale	16	70	98
Income tax receivable		–	272
Assets of disposal group	6	12,592	–
Total current assets		37,103	30,871
Non-current assets			
Investments accounted for using the equity method	17	782	1,038
Property, plant and equipment	19	28,132	40,006
Deferred tax assets	21	4,108	5,741
Intangibles	20	46,750	50,513
Other non-current assets	19b	1,264	–
Total non-current assets		81,036	97,298
Total assets		118,139	128,169
Current liabilities			
Bank overdraft	12	1,500	–
Trade and other payables	22	12,108	17,145
Provision for income tax		1,298	848
Derivative financial instruments	23	717	1,253
Interest bearing liabilities	24	29,963	6,176
Provisions	25	5,283	5,192
Liabilities of disposal group	6	2,807	–
Total current liabilities		53,676	30,614

		Consolidated	
		30 June 2013	30 June 2012
	Note	*AUD$'000s*	*AUD$'000s*
Non-current liabilities			
Derivative financial instruments	23	845	543
Interest bearing liabilities	24	28,665	61,105
Provisions	25	1,042	400
Deferred tax liabilities	21	730	959
Total non-current liabilities		31,282	63,007
Total liabilities		84,958	93,621
Net assets		33,181	34,548
Equity			
Share capital	26	39,353	39,353
Reserves	27a	(315)	(1,730)
Accumulated losses	27b	(5,857)	(3,075)
Total equity		33,181	34,548

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes. The 30 June 2013 Balance Sheet presents the Outdoor Media division as a discontinued operation with the assets and liabilities of the division shown separately above. The 30 June 2012 Balance Sheet does not restate the comparatives for the assets and liabilities of the Outdoor Media division.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2013

Consolidated	*Note*	**Share Capital** *AUD$'000s*	**Reserves** *AUD$'000s*	**Accumulated losses** *AUD$'000s*	**Total** *AUD$'000s*
Balance at 1 July 2011		24,576	(1,209)	(1,281)	22,086
Loss after income tax		–	–	(1,794)	(1,794)
Changes in fair value of cash flow hedges net of tax	27a	–	(836)	–	(836)
Exchange differences on translation of foreign operations and internal borrowings	27a	–	315	–	315
Total comprehensive income		–	(521)	(1,794)	(2,315)
Transactions with owners					
Return of capital to OPUS Group of Companies shareholders		(12,000)	–	–	(12,000)
Issue of share capital for reverse acquisition		26,777	–	–	26,777
Balance at 30 June 2012		39,353	(1,730)	(3,075)	34,548

Consolidated	*Note*	**Share Capital** *AUD$'000s*	**Reserves** *AUD$'000s*	**Accumulated losses** *AUD$'000s*	**Total** *AUD$'000s*
Balance at 1 July 2012		39,353	(1,730)	(3,075)	34,548
Loss after income tax		–	–	(2,782)	(2,782)
Changes in fair value of cash flow hedges net of tax	27a	–	95	–	95
Exchange differences on translation of foreign operations and internal borrowings	27a	–	1,320	–	1,320
Total comprehensive income		–	1,415	(2,782)	(1,367)
Balance at 30 June 2013		39,353	(315)	(5,857)	33,181

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 30 June 2013

		Consolidated	
		30 June 2013	**30 June 2012**
	Note	*AUD$'000s*	*AUD$'000s*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		129,040	106,976
Payments to suppliers and employees (inclusive of GST)		(120,555)	(95,637)
Interest received		46	58
Interest and borrowing costs paid		(6,444)	(5,206)
Net income tax paid		(663)	(1,495)
Net cash inflows from operating activities	12	1,424	4,696
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(2,744)	(2,249)
Proceeds from the disposal of property, plant and equipment		7,866	75
Return of capital to OPUS Group of Companies shareholders		–	(12,000)
Dividends received from associate	17	140	200
Cash acquired in reverse acquisition		–	4,276
Payment for security deposit		(701)	–
Net cash (outflows)/inflows from investing activities		4,561	(9,698)
Cash flows from financing activities			
Proceeds from borrowings		–	65,000
Shareholder loan repaid		17	344
Convertible note funds received, net of transaction costs		2,918	–
Repayment of borrowings		(11,116)	(56,933)
Repayment of finance leases		(674)	(218)
Net cash (outflows)/inflows from financing activities		(8,855)	8,193
Net (decrease)/increase in cash held		(2,870)	3,191
Cash and cash equivalents at beginning of the financial year		4,443	1,234
Net effect of exchange rate changes on cash		90	18
Cash and cash equivalents held at end of financial year		1,663	4,443
Comprising:			
Cash		3,163	4,443
Bank overdrafts		(1,500)	–
Cash and cash equivalents held at end of financial year	12	1,663	4,443

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2013

The principal accounting policies adopted in the preparation of this Annual Financial Report (referred to as the Annual Financial Report or Financial Report) are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Financial Report is for the consolidated entity consisting of OPUS Group Limited and its subsidiaries ('the OPUS Group').

(a) Basis of preparation and consolidation, accounting policies and critical accounting estimates and judgments

Basis of preparation

The Company is a Public Company listed on the Australian Securities Exchange ('ASX'). This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 for the purpose of fulfilling the OPUS Group's obligations under the ASX Listing Rules.

OPUS Group Limited is a for profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

All financial information is prepared on an accruals basis and is based on historical costs, modified where for the revaluation of available-for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Going concern

As at 30 June 2013, the OPUS Group reported a loss after tax of $2,782,000 and had total equity of $33,181,000. Furthermore, at 30 June 2013, the Group had debt facilities totalling $56,383,000, of which the utilised portion was $54,909,000, with Commonwealth Bank of Australia ('the CBA facilities' – refer note 24).

At 30 June 2013, due to the requirements of the debt facility in place at the balance sheet date, the Group had a requirement to repay $25,963,000 of debt to CBA in the 12 months to 30 June 2014 of which $20,000,000 was due by 30 September 2013. This amount is classified as a current liability in the 30 June 2013 financial report such that the Group has presented a net current liability position of $16,573,000 on its balance sheet.

The Group is currently continuing advanced discussions with CBA in order to restructure its debt facility, including so as to extend the date of repayment of these amounts and to revise the terms under the facility agreement.

On 30 August 2013, the Group received a proposal from CBA which has been the subject of discussion throughout the intervening period. On 9 September 2013, a conditional term sheet was executed which outlined the commercial aspects of the proposed debt facility variation but was still subject to final documentation and agreement between the parties. The conditional term sheet waived the requirement to pay the $20,000,000 due by 30 September 2013 subject to the final variation of the debt facility being executed.

On 30 September 2013, the OPUS Group Board received a further waiver from CBA which provides an extension to 2 October 2013 in order to allow additional time for an agreement with respect to a variation of the debt facility and the extension of the repayment timetable.

The proposed variation deed extends the facility to September 2016, with progressive debt reduction to be implemented via the sale of the Outdoor Media division, raising equity capital and various capital management and other initiatives over the term of the facility. The amortisation timetable provides that at least $27,500,000 is repayable throughout the period to 30 June 2014 under the revised debt facility structure. This amount includes scheduled amortisation and additional debt reduction through the initiatives described above.

As part of the extension and variation arrangements, and in consideration for CBA agreeing to them, the Company will grant CBA a warrant which, upon an exit event for all OPUS Group shareholders, will entitle CBA to a 10% equity interest in the Company. The detailed terms and conditions associated with the warrant are subject to final legal documentation and any necessary regulatory approvals. This documentation and related approvals are required to be completed by 30 November 2013 and further detail will be provided in this regard before that date.

The proposed variation deed is expected to revise the covenants attached to the CBA facilities. The revised covenants will be in respect to a rolling EBITDA measure, minimum cash balance requirements and limits on capital expenditure. The proposed variation deed will allow, at the option of the Company, for the capitalisation of interest on the higher margin component of the debt facility.

The Directors anticipate that an agreement on these matters will be reached with CBA by 2 October 2013, including the finalisation of associated documentation. If, however, agreement cannot be reached, CBA will become entitled to request the immediate repayment of loans under the facility agreement. An appropriate announcement will be made once discussions with CBA have been finalised.

The divestment of the Outdoor Media division as disclosed in note 6 will be used to repay debt further and to focus the Group on its core Asian Pacific Publishing operations. This divestment is expected to complete in the 2nd quarter of FY14 and the debt reduction value will be disclosed at this time.

In January 2013, the Group entered into a loan agreement for up to $3,400,000 with entities related to two existing shareholders to meet short-term working capital requirements, fund the closure costs of the Mulgrave facility and other Group reorganisation initiatives. The loan is convertible to ordinary shares in the Company at the option of the lender at any time up and until the facility maturity date of 31 March 2014. The loan agreement and conversion option was approved by shareholders on 28 March 2013 at an Extraordinary General Meeting.

Since 30 June 2012 the OPUS Group has paid down CBA debt by $9,616,000 and has a continued focus on reducing net debt levels further through FY14. In addition, the Directors have taken a number of actions to improve the Group's profitability and expect an improvement for FY14. Efficiency gains achieved across the Group through consolidation of its production and rationalisation of its cost base together with increased leverage in digital production investments will also position the Group to meet its objectives.

The continuing viability of the Group and its ability to continue as a going concern and meet its debt and commitments as they fall due is dependent upon the Group being successful in agreeing a variation to the current debt facility, generating sufficient future cash flows through trading and the divestment of the Outdoor Media Division, raising equity capital where required, improved profitability and other initiatives to meet its debt repayments and other obligations and compliance with its debt covenants.

In considering the current bank discussions and the anticipated variation to the current debt facility, the divestment of the Outdoor Media Division, raising equity capital and the Group's current financial projections as discussed above, the Directors are of the opinion that the Group will be successful in implementing these initiatives and, accordingly, have prepared the financial report on a going concern basis. Notwithstanding this belief, there is a risk that the Group may not be successful in implementing these initiatives or the implementation of alternative options which may be available to the Group. As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Restatement of comparative information

Comparative financial information for the Statement of Comprehensive Income has been restated where necessary to be consistent with presentation of current year figures.

New standards and amendments

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period and are not likely to materially affect future periods.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards* arising from AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards* arising from AASB 9 (December 2010) (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and is likely to affect the OPUS Group's accounting for its financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the OPUS Group's accounting for available for sale financial assets if applicable in the future, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the OPUS Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the OPUS Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The OPUS Group has not yet decided when to adopt AASB 9.

- AASB 13 *Fair Value Measurement* (effective from 1 January 2013)

  AASB 13 explains how to determine fair value when required by other accounting standards. It does not introduce new fair value measurement requirements nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards. It is expected that there will be no impact to the OPUS Group.

- AASB 10 *Consolidated Financial Statements* (effective from 1 January 2013)

  AASB 10 requires the disclosure by parent entities of financial statements as a single economic entity. No impact expected.

- AASB 12 *Disclosure of interests in other entities* (effective 1 January 2013)

  AASB 12 contains disclosure requirements for entities that have interests in subsidiaries. No impact expected.

  There are no other standards that are not yet effective and that are expected to have a material impact on the OPUS Group in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

Subsidiaries

The Annual Financial Report incorporates the assets and liabilities of all subsidiaries of and the results of all subsidiaries for the year then ended. Subsidiaries are all entities (including special purpose entities) over which the OPUS Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the OPUS Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the OPUS Group. They are de consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between OPUS Group entities are eliminated. Management is required to make full disclosure of intercompany transactions during the year to ensure that all transactions of this nature are eliminated at a group level. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the OPUS Group. Non controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet respectively.

Business combinations (excluding reverse acquisition accounting)

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Where equity instruments are issued in an acquisition they are measured at their assessed fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the OPUS Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

OPUS Group of Companies aggregation

The OPUS Group of Companies is an aggregation of four subgroups (collectively referred to as the 'OPUS Group of Companies') which were all subject to common control by a consistent group of shareholders until they were acquired by OPUS Group Limited on 30 March 2012.

The OPUS Group of Companies is deemed to be a separately identifiable reporting entity for which a Financial Report can be presented.

The four subgroups are:

- Cactus Imaging Holdings Pty Limited and its subsidiary named Cactus Imaging Pty Limited. These entities are domiciled in Australia.
- CanPrint Holdings Pty Limited and its subsidiaries named Union Offset Co. Pty Limited, CanPrint Communications Pty Limited and Integrated Print and Logistics Management Pty Limited. These entities are domiciled in Australia.
- OPUS Group NZ Holdings Limited and its subsidiaries named Omnigraphics Limited, Cactus Imaging Limited, F'Digital Limited, F'Displays Limited, Ligare Limited and C.O.S. Printers Pte Limited. These entities are domiciled in New Zealand and Singapore.
- OPUS Group (Australia) Pty Limited and its subsidiary named Ligare Pty Limited. These entities are domiciled in Australia.

Financial information related to the OPUS Group of Companies is an aggregation of the separate Financial Reports of each subgroup whilst they were subject to common control. All material transactions, balances and unrealised gains or losses between subgroups are eliminated on aggregation.

Reverse acquisition accounting

On 30 March 2012, OPUS Group Limited completed the acquisition of the OPUS Group of Companies.

In accordance with Australian Accounting Standards, this transaction has been accounted for as a reverse acquisition business combination.

In applying the requirements of AASB 3 Business Combinations to the OPUS Group:

- OPUS Group Limited is the legal parent of the OPUS Group; and
- The OPUS Group of Companies none of which are the legal parent or legal acquirer is deemed to be the accounting acquirer.

The consolidated financial information in this Annual Financial Report incorporates the assets and liabilities of all OPUS Group entities deemed to be acquired by the OPUS Group of Companies and the results of those entities for the period from which they are deemed to be acquired by the OPUS Group of Companies.

The assets and liabilities of OPUS Group Limited and its subsidiary McPherson's Printing Pty Limited are recorded at fair value whilst the assets and liabilities of the OPUS Group of Companies are maintained at book value. The impact of all transactions between entities in the OPUS Group has been eliminated in full.

AASB 3 *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements* requires that the Consolidated Annual Financial Report prepared following a reverse acquisition shall be issued under the name of the legal parent (OPUS Group Limited), but be a continuation of the Annual Financial Report of the legal subsidiary entities (i.e. the OPUS Group of Companies).

The implications of applying AASB 3 to the above transaction on this Annual Financial Report are as follows:

Consolidated Balance Sheet

The Consolidated Balance Sheet for 30 June 2012 reflects the combined position of OPUS Group Limited, McPherson's Printing Pty Limited and the OPUS Group of Companies.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income for the year ended 30 June 2012 represents the results of OPUS Group Limited and McPhersons Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 and the result of the OPUS Group of Companies for the full year.

Consolidated Statement of Changes in Equity

The loss after tax for the year ended 30 June 2012 comprises the results of the OPUS Group of Companies for the full year and the consolidated financial results of OPUS Group Limited and McPhersons Printing Pty Limited for the period 31 March 2012 to 30 June 2012.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows for the year ended 30 June 2012 represents the cash flows of OPUS Group Limited and McPhersons Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 and the cash flows of the OPUS Group of Companies for the full year.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the OPUS Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The Financial Report is presented in Australian dollars being OPUS Group's functional and presentation currency.

The functional currency of New Zealand based operations is New Zealand Dollars and the functional currency of C.O.S. Printers is Singapore Dollars. These entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

(ii) Transactions and balances

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to Australian Dollars ($AUD) at exchange rates at the reporting date. The income and expenses of foreign operations are translated to $AUD at the average exchange rates between reporting dates as an approximation of the spot rate on each of the transaction dates. Foreign currency differences are recognised in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount of the reserve is transferred to profit and loss.

(d) Revenue recognition

Sales revenue comprises revenue earned (net of returns, discounts, allowances, duties and taxes) from the provision of products or services to entities outside the OPUS Group.

Sale of products and goods

Sales revenue is recognised when the goods are dispatched, or when title passes to the customer, at the fair value of the consideration received or receivable. OPUS Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Provision of services

Sales revenue is recognised based on the stage of completion of the service, contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Where the stage of completion cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable.

Other income

Other income, including dividends, is recognised when the income is received or becomes receivable.

Government grants

An unconditional government grant is recognised when the grant becomes receivable. Conditional government grants are recognised when there is reasonable assurance that they will be received and that the OPUS Group will comply with the conditions associated with the grant.

Grants that compensate for expenses incurred are recognised in profit and loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

Agency and commission arrangements

When presenting revenues in the statement of comprehensive income consideration is given to whether the OPUS Group is operating as an agent (earning a fee or commission in return for arranging the provision of goods or services on behalf of a principal) or a principal (acting on its own account when contracting with customers for the supply of goods or services in return for consideration). Whether an entity is acting as a principal or agent is a matter of facts and circumstances.

In an agency relationship the gross cash inflows include amounts collected on behalf of the principal which are not revenue. In this instance the net amount retained can only be presented as revenue.

When the transaction is such that the Group is acting as the principal to the arrangement, revenue is recognised based on the gross amount received or receivable under the sales contract.

Shipping and handling charges

The OPUS Group may sell items either FOB (free on board) or CIF (cost, insurance, freight). CIF charges is included as part of revenue. The cost of insurance and freight is included as revenue unless the OPUS Group is only acting as an agent in respect of these charges. This may be the case where there is no profit element in the insurance and freight charged to the customers, so that these charges are merely the reimbursement of expenses. In this situation any consideration attributable to these elements is netted off against the carriage costs (freight etc.) in the income statement. However where the OPUS Group is able to determine the additional margin on the CIF charges, revenue includes the full CIF selling price, as the recharge of the CIF elements is effectively a revenue-earning part of the transaction.

Volume, settlement and general discounting

The OPUS Group may offer customer discounts for either achieving a minimum threshold of purchases, for prompt settlement or a general discount for a specified arrangement. The Group's revenue accounting policy requires the amount of revenue recognised under the transaction to be reduced by the amount of the discount at the time of the sale. At times this may require an estimation of the future discount or rebate which may be earned by the customer.

(e) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, gains on hedging instruments that are recognised in profit and loss and gains on other derivative contracts (e.g. ineffective hedges). Finance income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses, losses on disposal of available for sale financial assets, losses recognised on hedging instruments that are recognised in profit and loss and losses on other derivative contracts (e.g. ineffective hedges).

(f) Investments in associates

Associates are all entities over which the OPUS Group has significant influence but not control.

The OPUS Group has a $33^1/_3\%$ shareholding in an associate company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Details relating to shareholding in this associate are set out in Note 17.

The OPUS Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the OPUS Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the OPUS Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary difference and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where there is a legally enforceable right to offset and the intention is to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Tax consolidation

OPUS Group Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. OPUS Group Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, OPUS Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate OPUS Group Limited for any current tax payable assumed and are compensated by OPUS Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to OPUS Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. OPUS Group Limited may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Goods and services tax (GST) and other similar taxes

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the relevant taxation authority are presented as operating cash flows.

(j) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor substantially retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the lower of the fair value of leased property and the present value of the minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight-line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between the principal component and interest expense.

Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease. Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(k) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses are recognised in profit and loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

For assets other than goodwill, impairment losses recognised in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in a debtor credit rating) the reversal of the impairment is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(m) Goodwill

Recognition and nature

Goodwill represents the excess of the cost of an acquisition over the fair value of the OPUS Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisition of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Impairment of goodwill

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss in respect of goodwill cannot be reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(n) Cash and cash equivalents

For purposes of the cash flow statements, cash includes deposits at call, overdrafts and short-term deposits which are readily convertible to cash on hand and which are used in the cash management function on a day- to-day basis, net of outstanding bank overdrafts. Cash and cash equivalents generally have a three month or shorter term.

(o) Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off.

A provision for impairment of trade receivables is established when there is objective evidence that the OPUS Group will not be able to collect all amounts due according to the original terms of receivables.

(p) Inventories

Inventories (including work in progress) are valued at the lower of cost or net realisable value. Cost of produced inventories comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on the basis of normal operating capacity.

Costs of purchased inventory are determined after deducting rebates and discounts.

Cost of work in progress and finished manufactured products includes materials, labour and an appropriate proportion of factory overhead expenditure.

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

(q) Investments and other financial assets

The OPUS Group classifies its financials assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non current.

Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the OPUS Group's management has the positive intention and ability to hold to maturity. If the OPUS Group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the OPUS Group provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Financial assets – reclassification

The OPUS Group may choose to reclassify a non derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the OPUS Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available for sale categories if the OPUS Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade date (the date on which the OPUS Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the OPUS Group has transferred substantially all the risks and rewards of ownership. When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income (equity). Changes in the fair value of other monetary and non monetary securities classified as available for sale are recognised in other comprehensive income (equity).

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the OPUS Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

(r) Borrowings and convertible notes

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

The component of convertible notes that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On the issue of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not remeasured in subsequent years.

Borrowings are classified as current liabilities unless the OPUS Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(u) Property, plant and equipment

Cost and recognition

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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 OPUS Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation is recognised in profit and loss on either a straight line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated lives used for depreciation purposes are generally as follows:

Leasehold factory buildings (Singapore)	31 years
Plant and equipment	2 to 20 years
Office furniture and equipment	2 to 7 years
Motor vehicles	3 to 8 years
Leasehold improvements	5 to 20 years
Computer equipment	1 to 7 years

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.

Leased assets

Leased assets in terms of which the OPUS Group assumes substantially all of the risks and rewards of ownership are classified as finance lease assets. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis or diminishing value basis over the specific useful life of the developed software.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

(v) Other intangible assets

Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

(w) Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The full fair value of a hedging derivative is classified as a non current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The OPUS Group designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges). The OPUS Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The OPUS Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

(x) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(y) Cash flow hedges that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income, other expenses or finance costs.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(z) Provisions

Provisions are recognised when the OPUS Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(aa) Performance and financial guarantees

Performance guarantees are considered to be insurance arrangements and are accounted for as such. In this respect performance guarantees are treated as a contingent liability until such a time it becomes probable that the OPUS Group will be required to make a payment under the guarantee.

In respect of financial guarantee contracts, where the guarantor has previously asserted explicitly that is regards its financial guarantee contracts as insurance contracts and has previously accounted for them as such, then the guarantor has an accounting policy choice on a contract by contract basis. This accounting policy choice allows the guarantor to account for the financial guarantee as an insurance contract under AASB 4 Insurance Contracts or otherwise to recognise financial guarantee contracts as a financial liability at the time the guarantee is issued in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

All financial guarantees are intra-group and eliminated on consolidation.

(ab) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for an amount expected to be paid under short-term cash bonus or profit sharing plans if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other short-term employee benefit obligations are presented as payables.

Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss as they are due.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan has been developed and a valid expectation has been raised with those employees affected, that the termination will be carried out. The liabilities for termination benefits are recognised in other creditors unless timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits related to an acquired entity or operation that arises as a consequence of acquisitions are recognised as at the date of acquisition if, at or before acquisition date, the main features of the terminations were planned and a valid expectation had been raised with those employees affected, that the terminations would be carried out and this is supported by a detailed plan.

(ac) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any OPUS Group company purchases the company's equity instruments, for example as the result of a share buy back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners.

(ad) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ae) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares,

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Impact of reverse acquisition accounting on earnings per share

As the acquisition of the OPUS Group of Companies by OPUS Group Limited was accounted for as a reverse acquisition the weighted average number of shares outstanding for the period in which the combination took place is based on the weighted average number of shares of the legal subsidiary that are outstanding from the beginning of the period to the date of the combination. That number of shares is multiplied by the exchange ratio established in the acquisition agreement and added to the actual number of the shares of the legal parent entity that are outstanding in the period following the transaction. Comparative earnings per share information is based on the profit of the legal subsidiary and the legal subsidiary's historical weighted average number of shares that are outstanding, multiplied by the exchange ratio established in the acquisition agreement.

(af) Rounding of amounts

OPUS Group Limited is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission. This Class Order relates to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ag) Critical accounting estimates and assumptions

The OPUS Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated recoverable amount of cash-generating units

The OPUS Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1(m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 20 for details of these assumptions.

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Balance Sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the OPUS Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. Based on current forecasts the recognised deferred tax assets will be fully utilised. To the extent that the future estimates differ to what actually eventuates, the ability of the OPUS Group to utilise tax losses may differ.

Assets and liabilities acquired in a business combination

In a business combination the assets and liabilities acquired are recognised at fair value. Fair value is determined based on a number of assumptions related to each specific asset and liability. Management use their knowledge of the industry and experience to determine the value of assets and liabilities acquired.

2. LOSS PER SHARE

	Consolidated	
	30 June 2013	**30 June 2012**
Basic loss per share (cents ¢)	(5.18)¢	(4.47)¢
Diluted loss per share (cents ¢)	(5.18)¢	(4.47)¢
Basic loss per share – continuing operations (cents ¢)	(8.43)¢	(8.32)¢
Diluted loss per share – continuing operations (cents ¢)	(8.43)¢	(8.32)¢

	Consolidated	
	30 June 2013	**30 June 2012**
Loss used in calculating basic and diluted earnings per share	(2,782)	(1,794)
Loss used in calculating basic and diluted earnings per share – continuing operations	(4,526)	(3,335)
	'000s	*'000s*
Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted loss per share	53,678	40,102

Refer to Note 1(ae) for the accounting policy which outlines the impact of the reverse acquisition accounting applied in these Financial Statements to the loss per share calculations above in relation to the FY12 comparatives.

3. FINANCIAL RISK MANAGEMENT

The OPUS Group's activities expose it to financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the OPUS Group, derivative financial instruments, such as interest rate hedge contracts, are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or other speculative instruments.

The OPUS Group holds the following financial instruments:

30 June 2013	**Loans and receivables** *AUD$'000s*	**Other amortised cost** *AUD$'000s*	**Derivatives used for hedge purposes** *AUD$'000s*	**Total carrying amount** *AUD$'000s*	**Fair value** *AUD$'000s*
Assets					
Trade and other receivables	12,641	–	–	12,641	12,641
Loans to shareholder	1,136	–	–	1,136	1,136
Cash	3,163	–	–	3,163	3,163
Total financial assets	16,940	–	–	16,940	16,940
Liabilities (non-current)					
Loans and borrowings	–	26,421	–	26,421	26,421
Deferred consideration	–	656	–	656	656
Finance leases	–	2,244	–	2,244	2,244
Cash flow hedges	–	–	845	845	845
Total non-current liabilities	–	29,321	845	30,166	30,166
Liabilities (current)					
Bank overdrafts	–	1,500	–	1,500	1,500
Convertible note	–	3,137	–	3,137	3,137
Loans and borrowings	–	25,963	–	25,963	25,963
Deferred consideration	–	781	–	781	781
Finance leases	–	863	–	863	863
Cash flow hedges	–	–	717	717	717
Trade and other payables	–	12,108	–	12,108	12,108
Total current liabilities	–	44,352	717	45,069	45,069
Total financial liabilities	–	73,673	1,562	75,235	75,235

The OPUS Group holds the following financial instruments:

30 June 2012	Loans and receivables *AUD$'000s*	Other amortised cost *AUD$'000s*	Derivatives used for hedge purposes *AUD$'000s*	Total carrying amount *AUD$'000s*	Fair value *AUD$'000s*
Assets					
Trade and other receivables	16,088	–	–	16,088	16,088
Loans to shareholder	1,070	–	–	1,070	1,070
Cash	4,443	–	–	4,443	4,443
Total financial assets	21,601	–	–	21,601	21,601
Liabilities					
Loans and borrowings	–	58,100	–	58,100	58,100
Finance leases	–	3,005	–	3,005	3,005
Cash flow hedges	–	–	543	543	543
Total non-current liabilities	–	61,105	543	61,648	61,648
Loans and borrowings	–	5,400	–	5,400	5,400
Finance leases	–	776	–	776	776
Cash flow hedges	–	–	1,253	1,253	1,253
Trade and other payables	–	17,145	–	17,145	17,145
Total current liabilities	–	23,321	1,253	24,574	24,574
Total financial liabilities	–	84,426	1,796	86,222	86,222

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments in the above table, which are used purely for hedging purposes, are measured and recognised at fair value and are included in level 2 of the fair value measurement hierarchy.

The fair value of the derivative financial instruments is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows and the fair value of forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

The contingent consideration is included in level 3 of the fair value measurement hierarchy. The fair value is determined using unobservable inputs.

(a) Foreign exchange risk

The OPUS Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currencies applicable to each entity. The currencies in which transactions are primarily denominated are Australian Dollars ('AUD$'), New Zealand Dollars ('NZD$') Singapore Dollars ('SGD$') and US Dollars ('US$'). Management evaluates their foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum. The OPUS Group may in certain circumstances use forward exchange contracts to hedge its foreign currency risk. When used, the contracts would normally have maturities or less than one year at reporting date. The OPUS Group does not hold or issue financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

As required by the Group's debt facility, the Company has hedged $45,800,000 of the bank debt held at 30 June 2013 (2012: $48,800,000).

As at 30 June 2013, the exposure to trade and other payables denominated in USD totalled AUD$34,000 and GBP totalled AUD$nil. As at 30 June 2012, the exposure to trade and other payables denominated in USD totalled AUD$124,000 and GBP totalled AUD$243,000.

Management have assessed the remaining exposure to currencies is not significant.

(b) Interest rate risk

Interest rate risk arises both where payments of floating interest are made and where the OPUS Group has fixed interest rate borrowings compared to the market. The OPUS Group monitors the current market rates and evaluates on an ongoing basis whether to borrow at fixed or floating rates with the objective of minimising interest payable.

The OPUS Group has hedged exposure to changes in interest rate on a percentage of its borrowings in a fixed rate basis, taking into account assets with exposure to changes in interest rates, by entering into interest rate swaps.

(c) Credit risk

Credit risk arises on financial assets where customers are given credit terms. In order to minimise credit exposure, management has a credit policy in place under which each new customer is individually analysed for credit worthiness before services are offered. The OPUS Group's exposure to credit risk is mainly influences by its customer base. Credit risk is measured by estimating losses incurred at each reporting date based on historical experience.

The carrying amount of financial assets represents the OPUS Group's maximum credit exposure.

The Group's maximum exposure to credit risk for trade receivables by geographic regions is as follows:

	Carrying Amount	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
New Zealand	61	1,103
Australia	10,694	13,359
Singapore	2,070	1,905
Trade receivables (gross)	12,825	16,367
Provision against receivable	(184)	(279)
Net trade receivables	12,641	16,088

The status of trade receivables at the reporting date is as follows:

	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Neither past due, nor impaired		
Current	6,860	10,014
Past due, but not impaired		
1-30 days over standard terms	4,493	4,339
31-60 days over standard terms	843	1,081
61+ days over standard terms	445	654
Net trade receivables	12,641	16,088

(d) Liquidity risk

Liquidity risk represents the OPUS Group's ability to meet its contractual obligations. The OPUS Group evaluates its liquidity requirements on an ongoing basis using cash flow forecasting. In general, the OPUS Group generates sufficient cash flows from its operating activities and holds and retains cash to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities at the balance sheet date:

30 June 2013	**Statement of financial position** *AUD$'000s*	**Contractual cash flows** *AUD$'000s*	**0-1 years** *AUD$'000s*	**1-5 years** *AUD$'000s*	**More than 5 years** *AUD$'000s*
Finance lease liabilities	3,107	3,497	976	2,521	–
Secured loans	52,384	56,696	26,989	29,707	–
Convertible note	3,137	3,602	3,602	–	–
Bank overdraft	1,500	1,532	1,532	–	–
Cash flow hedges	1,562	1,647	724	923	–
Trade and other payables	12,108	12,108	12,108	–	–
Total financial liabilities	73,798	79,082	45,931	33,151	–
30 June 2012					
Finance lease liabilities	3,781	4,473	1,045	3,428	–
Secured loans	63,500	78,473	10,035	68,438	–
Cash flow hedges	1,796	1,913	549	1,364	–
Trade and other payables	17,145	17,145	17,145	–	–
Bank overdraft	–	–	–	–	–
Total financial liabilities	86,222	102,004	28,774	73,230	–

(e) Capital Management

The OPUS Group's capital employed includes share capital, reserves and retained earnings, bank debt and borrowings, convertible notes, finance lease liabilities and bank overdrafts net of cash.

The OPUS Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the OPUS Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The OPUS Group is not subject to any externally imposed capital requirements, other than those of its debt facility, which contains certain covenants.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The OPUS Group's policies in respect of capital management and allocation are reviewed regularly by the Directors.

At the balance sheet date the agreement under which the CBA facilities were made available contained financial covenants typical for a facility of this nature and are tested quarterly. The facility required compliance with an interest cover ratio, leverage ratio, debt service ratio and limits on the OPUS Group's capital expenditure. Compliance with covenants is highly dependent on future business performance, working capital management and capital requirements. As at the date of this report the Group has complied with these covenants.

Asset and Capital Structure (as at the Balance Sheet Date)

	30 June 2013	**31 Dec 2012**	**30 June 2012**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*
Debt:			
Bank debt and borrowings	52,384	62,175	63,500
Convertible notes	3,137	–	–
Finance lease liabilities	3,107	3,489	3,781
Bank overdraft	1,500	1,500	–
Cash and cash equivalents	(3,163)	(3,137)	(4,443)
Net debt*	56,965	64,027	62,838
Total equity	33,181	30,790	34,548
Total capital employed	90,146	94,817	97,386
Gearing (net debt/net debt + equity)	63%	68%	65%

* Net debt excludes off balance sheet bank guarantees and letters of credit. For bank covenant purposes the convertible notes are excluded from net debt.

Net debt (interest bearing liabilities and overdrafts less cash) decreased by $5,873,000 to $56,965,000 following the disposal of non-core assets, the Singapore building sale and leaseback and scheduled debt amortisation. The OPUS Group has $3,163,000 of cash at 30 June 2013 and a working capital facility of $4,000,000 of which $2,526,000 has been utilised. The OPUS Group has hedged the interest payments on $45,000,000 (2012: $48,800,000) of the Commonwealth Bank of Australia Limited ('CBA') debt owing at 30 June 2013 as required by the terms of the debt facility agreement.

At 30 June 2013, due to the requirements of the debt facility in place at the balance sheet date, the Group had a requirement to repay $25,963,000 of debt to CBA in the 12 months to 30 June 2014 of which $20,000,000 was due by 30 September 2013. This amount is classified as a current liability in the 30 June 2013 financial report such that the Group has presented a net current liability position of $16,573,000 on its balance sheet.

The Group is currently continuing advanced discussions with CBA in order to restructure its debt facility, including so as to extend the date of repayment of these amounts and to revise the terms under the facility agreement.

On 30 August 2013, the Group received a proposal from CBA which has been the subject of discussion throughout the intervening period. On 9 September 2013, a conditional term sheet was executed which outlined the commercial aspects of the proposed debt facility variation but was still subject to final documentation and agreement between the parties. The conditional term sheet waived the requirement to pay the $20,000,000 due by 30 September 2013 subject to the final variation of the debt facility being executed.

On 30 September 2013, the OPUS Group Board received a further waiver from CBA which provides an extension to 2 October 2013 in order to allow additional time for an agreement with respect to a variation of the debt facility and the extension of the repayment timetable.

The proposed variation deed extends the facility to September 2016, with progressive debt reduction to be implemented via the sale of the Outdoor Media division, raising equity capital and various capital management and other initiatives over the term of the facility. The amortisation timetable provides that at least $27,500,000 is repayable throughout the period to 30 June 2014 under the revised debt facility structure. This amount includes scheduled amortisation and additional debt reduction through the initiatives described above. As part of the extension and variation arrangements, and in consideration for CBA agreeing to them, the Company will grant CBA a warrant which upon an exit event for all OPUS Group shareholders, will entitle CBA to a 10% equity interest in the Company. The detailed terms and conditions associated with the warrant are subject to final legal documentation and any necessary regulatory approvals. This documentation and related approvals are required to be completed by 30 November 2013 and further detail will be provided in this regard before that date.

The proposed variation deed is expected to revise the covenants attached to the CBA facilities. The revised covenants will be in respect to a rolling EBITDA measure, minimum cash balance requirements and limits on capital expenditure. The proposed variation deed will allow, at the option of the Company, for the capitalisation of interest on the higher margin component of the debt facility.

The Directors anticipate that an agreement on these matters will be reached with CBA by 2 October 2013, including the finalisation of associated documentation. If, however, agreement cannot be reached, CBA will become entitled to request the immediate repayment of loans under the facility agreement. An appropriate announcement will be made once discussions with CBA have been finalised.

In January 2013, the Group entered into a loan agreement for up to $3,400,000 with entities related to two existing shareholders to meet short-term working capital requirements, fund the closure costs of the Mulgrave facility and other Group reorganisation initiatives. The loan is convertible to ordinary shares in the Company at the option of the lender at any time up and until the facility maturity date of 31 March 2014. The loan agreement and conversion option was approved by shareholders on 28 March 2013 at an Extraordinary General Meeting. The Company pays interest at 15% per annum on this facility which is capitalised. As the maturity date falls within 12 months of the balance sheet date, the convertible loan note debt is classified as a current liability.

Sensitivity Analysis

In managing interest rate and currency risks the OPUS Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit. At 30 June 2013 it is estimated that an increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $58,000 (2012: $155,000).

Given that OPUS Group has limited exposure to financial assets and financial liabilities denominated in currencies other than their own functional currencies, there is no material sensitivity to foreign exchange fluctuation.

4. BUSINESS COMBINATIONS

Acquisition of the revenue base of the Blue Star Group Australia's Canberra operation and certain assets thereof

On 27 March 2013 OPUS Group Limited announced that it had entered into an agreement to acquire selected assets and the revenue base of the Blue Star Group Australia's business in Canberra.

The transaction is anticipated to deliver additional revenues with the full financial benefits of this acquisition expected to be seen in FY14. Settlement of the consideration for the acquisition will occur on a deferred basis over a two year period, based on the actual revenue contribution with minimum thresholds in place. The deferred consideration is contingent on revenues generated from Blue Star customers using a contractual formula to assess the contribution of customers which were shared by the two entities.

The combined businesses will operate from the existing CanPrint facility in Canberra under the CanPrint brand.

The deemed acquisition date for the transaction was 5 April 2013.

Under Australian Accounting Standards, the OPUS Group has 12 months from the date of acquisition in which to complete its assessment of the fair value of the assets and liabilities acquired. Given the date of the transaction, the OPUS Group has provisionally recognised the fair value of the identifiable assets and liabilities acquired in the transaction based upon the best financial information available at the acquisition date. The fair values are provisional at the date of this report. Specifically, the OPUS Group is still in the process of the finalising the tax re-setting exercise, which may have an impact on the provisional acquisition accounting.

The fair value of the identifiable assets and liabilities as of the date of acquisition were as noted in the balance sheet extract below.

	Acquisition date fair value
	AUD$'000s
Assets	
Equipment	349
Inventory	197
Goodwill	1,438
Deferred tax asset on employee benefits	47
	2,031
Liabilities	
Employee benefits at 100%	(158)
Consideration paid and payable	
Cash (outflow)	(435)
Deferred consideration not yet paid	(1,438)

The fair value of assets and liabilities acquired approximated their carrying amounts at the acquisition date.

The goodwill recognised on acquisition represented the excess consideration paid above the fair value of the assets acquired and the deferred consideration to be paid. Goodwill relates to the synergies which result from the transaction. These benefits include increased volume of revenue with current customers and margin improvements due to improved buying power. Transactions costs were approximately $40,000 with the majority of due diligence undertaken in-house by the OPUS Group management team. These costs have been expensed. As the business combination was an asset acquisition, information related to pre-acquisition revenue and profit of the business is not available. The revenue and profit derived from the acquisition of the revenue base cannot be determined because a number of the customers of Blue Star Group Australia's Canberra operation were pre-existing customers of the OPUS Group.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board, the Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker as defined above that are used to make strategic decisions.

These individuals review the business primarily from a product and service offering perspective and have identified two distinct operating segments: Publishing and Outdoor Media.

(i) Publishing

Production and distribution of publications including electronic delivery of online material, regional production of scientific, medical, technical and scholarly journals, loose leaf manuals and primary, secondary and higher education texts. As well as, provision of secure government communication requirements including document production, web hosting, electronic fulfilment, call centre, warehousing and logistics for the Australian Federal Government, State Governments and Local Councils.

(ii) Outdoor Media (discontinued operation)

Creation, production and distribution of outdoor advertising material and corporate signage, such as billboards, bus advertising, retail displays, vehicle wraps and trade exhibitions.

(b) Segment revenue

Sales between segments are carried out on an arm's length basis and are eliminated on consolidation. The revenue from external parties reported is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income although it is presented on an 'Always Owned' basis as further explained below.

(c) Adjusted EBITDA as monitored by the Board and Senior Management

The chief operating decision makers assess the performance of the operating segments based on a measure of Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA'). Adjusted EBITDA is a non-IFRS measure of financial performance and is not a principle contemplated by Australian Accounting Standards. This measurement basis excludes the effects of certain items from the operating segments such as integration and restructuring costs, material merger transaction costs, debt facility expenses, legal expenses and other related costs not deemed to be part of the underlying performance of the segment. It is presented internally on an 'Always Owned' basis where the full year results of each legal entity are included regardless of when they joined the OPUS Group during the year. This measure is consistent with the presentation of financial information internally for management accounts purposes.

A reconciliation of Adjusted EBITDA to the Loss before taxation per the Statement of Comprehensive Income is as follows:

	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Adjusted EBITDA on an 'Always Owned' basis (continuing operations)	14,114	20,600
Adjusted for:		
Pre-acquisition trading for entities acquired during the year	–	(4,434)
Adjusted EBITDA	14,114	16,166
Less: Adjusted EBITDA of discontinued division	(3,435)	(3,618)
Depreciation, amortisation and impairment	(7,527)	(6,124)
Gain on disposal of property, plant and equipment	3,465	8
Items excluded from Adjusted EBITDA	(3,118)	(4,411)
Finance revenue	116	74
Finance costs	(6,651)	(5,079)
Loss before taxation per the Consolidated Statement of Comprehensive Income	(3,036)	(2,984)

As a result of the reverse acquisition accounting applied, the Financial Report for the year ended 30 June 2012 represents the segments results for OPUS Group Limited and McPherson's Printing Pty Limited for the period 31 March 2012 to 30 June 2012.

The 2012 Adjusted EBITDA includes 9 months of trading for McPherson's Printing Pty Limited, which is excluded from the reported result as being pre-acquisition trading.

Interest income and expenditure is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the OPUS Group.

(d) Segment Information

30 June 2013	Publishing	Outdoor Media (Discontinued)	Other	Inter-Segment Eliminations	Total
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total external revenue	97,159	19,665	–	–	116,824
Other	1,037	3	9	–	1,049
Operating expenses	(83,594)	(16,233)	(3,932)	–	(103,759)
Adjusted EBITDA	14,602	3,435	(3,923)	–	14,114

Total segment revenue is reconciled to total revenue per the Consolidated Statement of Comprehensive Income as follows:

	30 June 2013
	AUD$'000s
Segment revenue (Revenue on an 'Always Owned' basis)	116,824
Less discontinued Outdoor Media Division	(19,665)
Total revenue from continuing operations per the Statement of Comprehensive Income	97,159

30 June 2012	Publishing	Outdoor Media	Other	Inter-Segment Eliminations	Total
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total external revenue	112,243	20,766	–	–	133,009
Inter segment revenue	9	–	–	(9)	–
Operating expenses	(93,746)	(17,188)	(2,887)	9	(113,812)
Other	1,363	40	–	–	1,403
Adjusted EBITDA	19,869	3,618	(2,887)	–	20,600

Total segment revenue is reconciled to total revenue per the Consolidated Statement of Comprehensive Income as follows:

	30 June 2012
	AUD$'000s
Segment revenue (Revenue on an 'Always Owned' basis)	133,009
Pre-acquisition revenue	(36,941)
Other	(62)
Revenue from discontinued Outdoor Media Division	(20,766)
Total revenue per the restated Statement of Comprehensive Income	75,240

(e) Inter-segment transactions

The inter-segment eliminations column above adjusts for the impact of internal transactions and the 'Other' column represents unallocated OPUS Group and Corporate costs. Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an 'arms-length' basis and are eliminated on consolidation.

(f) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are not reported by operating segment.

6. DISCONTINUED OPERATION

On 16 May 2013, OPUS Group announced that it was undertaking a strategic review of its Outdoor Media business.

The review follows the disposal of a number of non-core assets including the recent sale and leaseback of the Group's Singapore building, as well as the sale of surplus land and buildings at Maryborough in Victoria, with the proceeds used to pay down debt.

The Outdoor Media business is classified as a discontinued operation as at 30 June 2013. Consequently, the Consolidated Statement of Comprehensive Income (both current period and prior period comparative) have been prepared with the Outdoor Media business disclosed as a discontinued operations line item. In addition, all of the Outdoor related assets and liabilities have been disclosed in the Group's 30 June 2013 Balance Sheet as separate asset and liability categories.

(a) Assets and Liabilities held for sale

	30 June 2013
	AUD$'000s
Current assets	
Trade receivables	2,914
Inventory	877
Other current assets	106
Non-current assets	
Property, plant and equipment	1,955
Goodwill	6,445
Deferred tax asset	289
Other non-current assets	6
Total assets of disposal group held for sale	12,592

	30 June 2013
	AUD$'000s
Current liabilities	1,992
Trade and other payables	718
Employee-related provisions	
Non-current liabilities	
Employee-related provisions	97
Total liabilities of disposal group held for sale	2,807

For reporting purposes, cash and bank balances of the discontinued division at year-end are presented within continuing operations. The amounts presented above are net of intercompany loan balances with other OPUS Group entities.

(b) Discontinued operation financial information and cash flow information

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Income	19,665	20,766
Expenses	(17,137)	(18,530)
Net finance costs	(15)	(93)
Profit before tax from discontinued operations	2,513	2,143
Income tax expense	(769)	(602)
Profit after tax from discontinued operations	1,744	1,541
Other comprehensive loss	(31)	(12)
Total comprehensive income attributable to discontinued operations	1,713	1,529
	Cents	*Cents*
Basic earnings per share	3.25	3.85
Diluted earnings per share	3.25	3.85

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Net cash inflows from operating activities	3,045	3,194
Net cash outflows from investing activities	(835)	(1,271)
Net cash outflows from financing activities	(2,300)	(1,700)
Net (decrease)/increase in cash generated	(90)	223

7. OTHER INCOME

	Consolidated	
	30 June 2013	**30 June 2012 (Restated)**
	AUD$'000s	*AUD$'000s*
Scrap recoveries	765	376
Other	397	188
Total other income	1,162	564

8. EMPLOYEE BENEFITS EXPENSE

	Consolidated	
	30 June 2013	**30 June 2012 (Restated)**
	AUD$'000s	*AUD$'000s*
Salaries and wages	32,427	25,010
Superannuation	2,233	1,505
Total employee benefits expense per the Consolidated Statement of Comprehensive Income	34,660	26,515

OPUS Group Limited and its controlled entities contribute to a number of superannuation funds. The funds provide benefits on a cash accumulation basis for employees or their dependants on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. OPUS Group contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to OPUS Group contributions, as specified by the rules of the fund. OPUS Group contributions to employee superannuation funds within continuing operations during the year totalled $2,233,000 (2012: $1,505,000).

9. EXPENSES

Profit before income tax for continuing operations includes the following items which require specific disclosure:

	Consolidated	
	30 June 2013	**30 June 2012 (Restated)**
	AUD$'000s	*AUD$'000s*
Bad debts expense	76	69
Minimum lease payments related to operating leases	2,674	2,164
Realised foreign exchange loss	34	24

10. INCOME TAX

(a) Income tax expense

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Current tax expense	1,158	1,519
Deferred tax expense/(benefit)	1,112	(496)
Under/(over) provision in previous years	38	(70)
Total income tax expense	2,308	953
Attributable to discontinued operations	818	602
Attributable to continuing operations	1,490	351
Deferred income tax (benefit) included in income tax expense comprises:		
Decrease in deferred tax assets – *Note 21*	(1,397)	(427)
Increase in deferred tax liabilities – *Note 21*	285	(69)
	(1,112)	(496)

(b) Reconciliation of current income tax expense

Operating loss before income tax	(524)	(841)
Income tax using the OPUS Group's domestic rate of tax (30%)	(157)	(252)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share of net loss in associate	35	4
Debt forgiveness	–	(8)
Tax-exempt income	(808)	(20)
Current year tax losses not recognised	3,157	633
Tax rate difference in overseas entities	(1,164)	(380)
De-recognition of New Zealand tax losses previously recognised	–	1,149
De-recognition of Australian tax losses previously recognised	1,388	–
Under/(over) provision in prior years	38	(70)
Other	(181)	(103)
Total income tax expense	2,308	953

(c) Tax benefit relating to items of other comprehensive income

Cash flow hedges	52	380

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	21,464	6,132
Potential tax benefit @ 28% *	2,913	1,717
Potential tax benefit @ 30%	3,318	–
Potential tax benefit at jurisdiction tax rates	6,231	1,717

* New Zealand jurisdiction tax rate

Tax losses for which no deferred tax asset has been recognised relate to the New Zealand and Australian tax jurisdictions. The 2013 tax expense includes the write-off of a previously recognised deferred tax asset to the value of $1,388,000. Given the proposed divestment of the Outdoor Media division and trading to date, there is uncertainty around the use of these tax losses in the immediate future.

The 2012 tax expense included $1,149,000 of New Zealand tax balances written off as at 30 June 2012. Given the recent changes to the OPUS Group structure there is uncertainty around the ability to utilise the New Zealand Group tax losses in the immediate future.

(e) Franking credits

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Franking credits available for subsequent financial years based on a tax rate of 30%	23,742	23,742

The above amounts represent the balance of the Australian franking account as at the end of the financial year, adjusted for franking credits which are expected to arise from the payment of current tax liabilities.

11. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	30 June 2013	**30 June 2012***
	AUD$	*AUD$*
Audit services		
PricewaterhouseCoopers – Audit and review of financial reports and other audit work for OPUS Group's Australian businesses under the *Corporations Act 2011* **	266,500	182,860
PricewaterhouseCoopers – Audit and review of financial reports and other audit work for OPUS Group's New Zealand and Singapore businesses under the *Corporations Act 2011*	83,000	–
Total PricewaterhouseCoopers remuneration for audit services	349,500	182,860
Non PricewaterhouseCoopers audit and review of financial reports*	–	112,624
Other services		
PricewaterhouseCoopers – non-audit	–	30,500
Non PricewaterhouseCoopers audit firms – non-audit	–	210,245
Total remuneration for audit services and other services	349,500	536,229

* During the year ended 30 June 2012, KPMG completed the jurisdictional audits for the New Zealand and Singapore businesses within the OPUS Group.

** The 30 June 2013 fee includes the half-year review for the period ended 31 December 2012.

The remuneration for services disclosed above only includes fees paid to auditors whilst they were appointed as auditor to the Company or its subsidiaries.

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 30 June 2013 *AUD$'000s*	Consolidated 30 June 2012 *AUD$'000s*
Cash on hand	3,163	4,443
The above figures are reconciled to cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows as follows:		
Balances as above	3,163	4,443
Less: bank overdrafts	(1,500)	–
Balances per the Consolidated Statement of Cash Flows	1,663	4,443
Reconciliation of net cash provided by operating activities to operating loss after income tax:		
Operating loss after income tax	(2,782)	(1,794)
Share of loss of associate	(116)	(14)
Repayment of loan	17	–
Depreciation, amortisation and impairment	8,237	7,313
Cash flow hedges	–	515
Foreign exchange losses	52	30
Disposal of fixed asset	(3,412)	(9)
Operating assets and liabilities		
Increase/(decrease) in trade and other payables	(2,907)	(2,459)
Increase/(decrease) in employee entitlements	110	(330)
Increase/(decrease) in tax payable	722	1,136
(Increase)/decrease in deferred tax balances	1,116	(1,599)
(Increase)/decrease in receivables	(879)	1,606
(Increase)/decrease in inventories	1,266	301
Net cash inflow provided by operating activities	1,424	4,696

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 30 June 2013 *AUD$'000s*	Consolidated 30 June 2012 *AUD$'000s*
Trade receivables	12,825	16,367
Less: Allowance for doubtful debts	(184)	(279)
Total trade and other receivables	12,641	16,088

14. CURRENT ASSETS – INVENTORIES

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Raw materials	3,759	4,724
Spare parts	–	575
Work in progress	1,163	1,560
Finished goods	358	674
Less: Provision for inventory obsolescence	(153)	(263)
Total inventories	5,127	7,270

15. CURRENT ASSETS – OTHER

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Sundry debtors and prepayments	2,374	1,630
Loans to shareholders	1,136	1,070
Total other current assets	3,510	2,700

16. CURRENT ASSETS – HELD FOR SALE ASSETS (EXCLUDING ASSETS OF DISPOSAL GROUPS)

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Assets held for sale at balance sheet date	70	98

Assets held for sale at 30 June 2013 and 30 June 2012 are individual assets deemed to be non-core to the business and are in the process of being sold. These assets have been written down to their recoverable amount at the balance sheet date.

17. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Shares in associate	782	1,038

The Group has a $33^1/_3$% shareholding in an associate company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
(i) Movements in carrying amount		
Carrying amount at the beginning of the financial year	1,038	–
Acquired in business combination	–	1,252
Share of loss after income tax	(116)	(14)
Dividends received	(140)	(200)
Carrying amount at the end of the financial year	782	1,038
(ii) Share of associate's loss		
Loss before tax	(164)	(20)
Income tax credit	48	6
Loss after income tax	(116)	(14)

(iii) Summarised financial information of associate

Group's share of:

	Assets	**Liabilities**	**Revenues**	**Losses**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
2013	2,139	1,217	2,020	(116)
2012	2,562	1,351	444	(14)

18. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Country of Incorporation	
OPUS Group Limited	Australia
Wholly owned subsidiaries of OPUS Group Limited	
Cactus Imaging Holdings Pty Limited *	Australia
Cactus Imaging Pty Limited *	Australia
OPUS Group (Australia) Pty Limited *	Australia
Ligare Pty Limited *	Australia
CanPrint Holdings Pty Limited *	Australia
Union Offset Co. Pty Limited *	Australia
CanPrint Communications Pty Limited *	Australia
Integrated Print and Logistics Management Pty Limited *	Australia
McPhersons Printing Pty Limited *	Australia
OPUS Group NZ Holdings Limited	New Zealand
Omnigraphics Limited	New Zealand
Cactus Imaging Limited	New Zealand
F'Digital Limited	New Zealand
F'Displays Limited	New Zealand
Ligare Limited	New Zealand
C.O.S. Printers Pte Limited	Singapore

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 33.

All investments represent 100% ownership interest.

19. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Freehold land and buildings		
At cost	2,633	10,246
Accumulated depreciation	(280)	(2,533)
Total Freehold land and buildings	2,353	7,713
Leasehold improvements		
At cost	1,439	1,873
Accumulated depreciation	(915)	(1,085)
Total leasehold improvements	524	788
Total property assets	2,877	8,501
Plant and equipment		
At cost	66,231	72,768
Accumulated depreciation	(42,720)	(43,309)
Total plant and equipment	23,511	29,459
Office furniture and equipment		
At cost	640	773
Accumulated depreciation	(387)	(462)
Total office furniture and equipment	253	311
Motor vehicles		
At cost	613	546
Accumulated depreciation	(503)	(462)
Total motor vehicles	110	84
Computer equipment		
At cost	3,633	3,769
Accumulated depreciation	(2,252)	(2,118)
Total computer equipment	1,381	1,651
Total property, plant and equipment	28,132	40,006

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Land and buildings AUD$'000s	Plant and equipment AUD$'000s	Office furniture and equipment AUD$'000s	Motor Vehicles AUD$'000s	Leasehold improvements AUD$'000s	Computer equipment AUD$'000s	Total AUD$'000s
Carrying amount							
Balance at 1 July 2011	4,745	17,834	107	128	889	965	24,668
Acquisitions through the reverse acquisition	3,142	16,105	145	–	3	275	19,670
Other additions	–	1,504	97	–	19	1,197	2,817
Disposals	–	(80)	–	(1)	–	(2)	(83)
Transfers between categories	–	72	13	–	–	(85)	–
Transfer to assets held for sale	–	(98)	–	–	–	–	(98)
Effect of movements in exchange rates	114	228	2	1	2	(2)	345
Impairment during the period	–	(114)	–	–	–	–	(114)
Depreciation for the year	(288)	(5,992)	(53)	(44)	(125)	(697)	(7,199)
Balance at 30 June 2012	7,713	29,459	311	84	788	1,651	40,006
Carrying amount							
Balance at 1 July 2012	7,713	29,459	311	84	788	1,651	40,006
Other additions	3	1,967	61	84	69	823	3,007
Disposals	(4,956)	(124)	(5)	(1)	(2)	(2)	(5,090)
Reclassified to discontinued operations	–	(1,514)	(64)	(17)	(221)	(139)	(1,955)
Effect of movements in exchange rates	(21)	315	40	9	18	40	401
Depreciation for the year	(386)	(6,592)	(90)	(49)	(128)	(992)	(8,237)
Balance at 30 June 2013	2,353	23,511	253	110	524	1,381	28,132

(b) Sale and leaseback transaction

In March 2013 C.O.S. Printers Pte Limited disposed of the operational facility building in Singapore and entered into an agreement to lease it back for the next 10 years. Since the duration of the lease does not cover substantially most of the expected useful life of the building, it is appropriate to classify it as an operating lease in line with the requirements of AASB 117 Leases. A gain of $3,425,000 was recorded on the disposal.

As part of the sale and leaseback agreement, C.O.S. Printers Pte Limited prepaid land tax equivalent to AUD$1,169,000, the unamortised cost of which is recorded as a non-current asset on the statement of financial position.

Finance Leases

The OPUS Group leases certain printing assets under finance lease agreements. The net carrying amount of these assets at 30 June 2013 $3,372,000 (2012: $3,905,000). The leased printing assets secure the subgroups lease obligation.

Non-current assets pledged as security

Refer to Note 24 for information on non-current assets pledged as security by the parent entity and its controlled entities.

20. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Goodwill	46,750	50,513
Total intangibles	46,750	50,513

(a) Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the financial year are set out below:

Carrying amount

	Goodwill
	AUD$'000s
Balance at 1 July 2011	47,828
Acquisitions through business combinations	2,445
Effect of movements in exchange rates	240
Balance at 30 June 2012	50,513
Balance at 1 July 2012	50,513
Acquisitions through business combinations – *Note 4*	1,438
Less goodwill attributable to discontinued operations	(6,445)
Effect of movements in exchange rates	1,244
Balance at 30 June 2013	46,750

(b) Impairment testing

For the purpose of impairment testing, goodwill is allocated to the OPUS Group's cash generating units ('CGU') which represent the lowest level that independent cash flows are generated (as at the reporting date). As at 30 June 2013, there has been a change in the identified CGUs of the OPUS Group resulting from the ongoing restructure of the Publishing Australia business. The previously reported CGUs of CanPrint, Ligare and McPherson's Printing have been combined as one CGU named Publishing Australia.

This change has occurred as a result of the restructuring of the OPUS Group business namely:

- The production site for work is determined by the 'best fit' within the OPUS Group location rather than where the customer relationship has historically existed, leading to increased reallocation of work across the Publishing Australia network of operations;
- Closure of the Mulgrave site and shift of equipment to Canberra and Maryborough with corresponding work reallocated. The outcome of this restructure is the creation of a colour hub in Canberra which services Publishing Australia customers;
- Closure of the Sutton Road site and shift of work to the Sydney Ligare site;
- Change in management focus to a functional Publishing Australia structure including appointment of key divisional leads in Sales, Australian National Operations and Finance. This functional structure is a key component to the overall Publishing Division (which includes COS Printers Pte Ltd) whose performance is monitored by the Board and Senior Executive level team;
- Decisions around capital expenditure are now made on a Divisional basis in order to build operational excellence hubs rather than a single site approach; and
- Continuation of the standardisation of systems and resourcing across Publishing Australia.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Consolidated 30 June 2013 *AUD$'000s*	**Consolidated 30 June 2012** *AUD$'000s*
Cactus Australia	6,445	6,445
Publishing Australia	30,148	28,710
COS	16,602	15,358
Total goodwill	53,195	50,513
Reclassified to disposal group	(6,445)	–
Total goodwill presented on the Balance Sheet	46,750	50,513

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial forecasts for FY14. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each CGU, the OPUS Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

When determining the carrying value of the cash generating unit an allocation of the OPUS Group's corporate asset base has been made to each unit.

The value-in-use has been based on the following key assumptions:

CGU	EBITDA growth rate (2 to 5 years)	Terminal value growth rate	Discount rate (pre-tax)	Capex Growth Rate
Cactus Australia	3%	0%	17%	10%
Publishing Australia	3%	2%	17%	10%
C.O.S. Printers Pte Limited	3%	2%	12%	10%

Cash flows of each CGU have been projected based on the budget for FY14 and the forecast which has been extended for 4 years using EBITDA growth assumptions noted above applicable to each CGU.

Terminal cash flows beyond 5 years forecast of each CGU were extrapolated using a constant growth rate as noted above. Growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGU's operate.

The forecasts for the purposes of each of the value in use calculations are most sensitive to changes in the projected cash flows in year 1, the terminal year and the discount rate.

The Board have reviewed the sensitivities of each CGU's recoverable value for the above noted assumptions.

Based on the sensitivities to the key assumptions noted above, if the Publishing Australia forecasted cash flows for year 1 were 2.3% lower or the pre-tax discount rate was 0.4% higher or a 1% reduction in the year on year growth rate (all other assumptions being the same) the carrying value and recoverable amount of the CGU would be equal.

One of the key assumptions is the inclusion of capital expenditure cash flows. These are forecasted to grow at a rate of 10% over the forecast period. The magnitude and timing of these cash flows is within the control of OPUS Group management.

Based on the review of the sensitivities to the other key assumptions noted above, the Board believe that there are no other reasonably possible changes in any of the key assumptions that would cause the carrying amount of an individual CGU to exceed its recoverable amount.

21. NON-CURRENT – DEFERRED TAX BALANCES

Deferred tax assets

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Deferred tax assets are attributable to the following		
Property, plant and equipment	1,538	1,353
Employee benefits	1,452	1,799
Other provisions/accruals	727	337
Restructuring costs	–	445
Inventories	46	65
Doubtful debts	52	60
Cash flow hedges	469	529
Tax losses	–	1,388
Total deferred tax assets	4,284	5,976
Set off deferred tax liabilities	(176)	(235)
Net deferred tax assets	4,108	5,741

Movements

	Plant & Equipment	Employee Benefits	Restructure costs	Cash flow hedges	Tax losses	Other	Total
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Opening balance 30 June 2011	292	934	363	–	–	234	1,823
(Charged)/credited to income statement – *Note 10a*	360	65	24	155	–	(177)	427
Acquired in business combination	1,029	814	49	(6)	–	184	2,070
Charged to equity – *Note 10c*	–	–	–	380	–	–	380
Transfer from provision for tax	–	–	–	–	1,388	–	1,388
Transfer from deferred tax liability	(89)	–	–	–	–	(10)	(99)
Under/(over) provision in prior years	(239)	(14)	9	–	–	(4)	(248)
Closing balance 30 June 2012	1,353	1,799	445	529	1,388	227	5,741
Opening balance 1 July 2012	1,353	1,799	445	529	1,388	227	5,741
(Charged)/credited to income statement – *Note 10a*	186	(121)	(445)	(112)	–	683	191
De-recognition of Australian tax losses previously recognised	–	–	–	–	(1,388)	–	(1,388)
Transfer of deferred tax to discontinued operation	–	(216)	–	–	–	(72)	(288)
Charged to equity – *Note 10c*	–	–	–	52	–	–	52
Under/(over) provision in prior years	(1)	(10)	–	–	–	(189)	(200)
Closing balance 30 June 2013	1,538	1,452	–	469	–	649	4,108

	Consolidated 30 June 2013 AUD$'000s	Consolidated 30 June 2012 AUD$'000s
Deferred tax assets to be recovered within 12 months	1,466	3,609
Deferred tax assets to be recovered after more than 12 months	2,642	2,132
Total deferred tax assets	4,108	5,741

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Consolidated Balance Sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the OPUS Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. Based on current forecasted taxable income it is expected that the deferred tax assets recognised will be fully utilised. To the extent that the future estimates differ to what actually eventuates, the ability of the OPUS Group to utilise tax losses may differ.

Deferred tax liabilities

	Consolidated 30 June 2013 AUD$'000s	Consolidated 30 June 2012 AUD$'000s
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	801	959
Prepayments	–	70
Inventories	105	165
Total deferred tax liabilities	906	1,194
Set off deferred tax assets	(176)	(235)
Net deferred tax liabilities	730	959

Movements

	Plant and Equipment AUD$'000s	Prepayments AUD$'000s	Total AUD$'000s
Closing balance 30 June 2011	1,080	10	1,090
Charged to income statement – *Note 10a*	(69)	–	(69)
Transfer to deferred tax asset	(89)	(10)	(99)
Foreign exchange	37	–	37
Closing balance 30 June 2012	959	–	959
Charged to income statement – *Note 10a*	(285)	–	(285)
Foreign exchange	56	–	56
Closing balance 30 June 2013	730	–	730

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Deferred tax liabilities to be settled within 12 months	730	–
Deferred tax liabilities to be settled after more than 12 months	–	959
Net deferred tax liabilities	730	959

22. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Trade creditors	8,285	10,801
Other payables and accruals	3,823	6,344
Total trade and other payables	12,108	17,145

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Current Liabilities		
Interest rate swaps – cash flow hedges	717	1,253
Total current derivative liabilities	717	1,253
Non-Current Liabilities		
Interest rate swaps – cash flow hedges	845	543
Total non-current derivative liabilities	845	543
Total derivative liabilities	1,562	1,796

In the prior year interest rate swaps held as cash flow hedges were closed out as part of the OPUS Group's debt refinancing. A closure cost of $515,000 was recognised in relation to the closure. The cost of closure was incorporated into the interest swap margin and no cash outflow was required at the time of refinancing.

The interest rate swaps cover $45,800,000 (2012: $48,800,000) of the OPUS Group's floating debt exposure and are timed to expire over the debt facility term in line with the specified repayment schedule of the facility. The fixed rates range between 4.54% and 4.6% (2012: 4.54% to 5.14%). The floating rate component tracks BBSY. The contracts require settlement of net interest on a quarterly basis. The settlement dates coincide with the dates when interest is payable on the debt facility.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve to the extent that the hedge is effective. There was no material hedge ineffectiveness in the current year or prior year.

24. INTEREST BEARING LIABILITIES

	Consolidated 30 June 2013 AUD$'000s	Consolidated 30 June 2012 AUD$'000s
Current liabilities		
Secured bank loan	25,963	5,400
Convertible notes	3,137	–
Finance leases	863	776
Total current interest bearing liabilities	29,963	6,176
Non-current liabilities		
Secured bank loan	26,421	58,100
Finance leases	2,244	3,005
Total non-current interest bearing liabilities	28,665	61,105
Total interest bearing liabilities	58,628	67,281

(a) Current year debt financing – CBA

Utilisation of the OPUS Group's debt facilities at the balance sheet date is as follows:

	Utilised Amount AUD$'000s	Total Facility AUD$'000s
30 June 2013		
Secured bank loan – tranche A	48,362	48,362
Secured bank loan – tranche B	4,021	4,021
Working capital facility	2,526	4,000
	54,909	56,383
30 June 2012		
Secured bank loan – tranche A	53,000	53,000
Secured bank loan – tranche B	10,500	10,500
Working capital facility	1,872	4,000
	65,372	67,500

The borrower under each of these CBA facilities is OPUS Group Limited. The CBA facilities are due to be repaid or refinanced by 30 September 2016. The tranche A component is subject to mandatory amortisation on a quarterly basis. The utilised component of the working capital facility relates to off balance sheet bank guarantees, letters of credit and overdraft drawdowns. Further drawdowns on the overdraft component of the working capital facility require approval from CBA.

The details of each current facility are outlined below:

Facility A and Facility B: These are secured loan debt facilities. Interest is payable quarterly and amounts repaid are unable to be redrawn in the future.

Working Capital Facility: This is a multi-option facility that may be utilised to fund the day to day working capital requirements of the OPUS Group and general corporate purposes such as letters of credit. The amount drawn down under the Working Capital Facility varies according to the needs of the OPUS Group. At 30 June 2013 $2,526,000 was drawn down against this facility related to bank guarantees, letters of credit and overdraft drawn amounts.

Hedging Requirement: Under the terms of the debt facility, Facility A and B are to be 75% hedged against interest rate movements in the first 3 years and 50% thereafter.

At the balance sheet date the agreement under which the CBA facilities were made available contains financial covenants typical for a facility of this nature and are tested quarterly. The facility required compliance with an interest cover ratio, leverage ratio, debt service ratio and limits on the OPUS Group's capital expenditure. Compliance with covenants is highly dependent on future business performance, working capital management and capital requirements. As at the date of this report the Group has complied with these covenants.

As disclosed in note 1(a) of this Annual Report, at 30 June 2013, due to the requirements of the debt facility in place at the balance sheet date, the Group had a requirement to repay $25,963,000 of debt to CBA in the 12 months to 30 June 2014 of which $20,000,000 was due by 30 September 2013. This amount is classified as a current liability in the 30 June 2013 financial report such that the Group has presented a net current liability position of $16,573,000 on its balance sheet.

The Group is currently continuing advanced discussions with CBA in order to restructure its debt facility, including so as to extend the date of repayment of these amounts and to revise the terms under the facility agreement.

On 30 August 2013, the Group received a proposal from CBA which has been the subject of discussion throughout the intervening period. On 9 September 2013, a conditional term sheet was executed which outlined the commercial aspects of the proposed debt facility variation but was still subject to final documentation and agreement between the parties. The conditional term sheet waived the requirement to pay the $20,000,000 due by 30 September 2013 subject to the final variation of the debt facility being executed.

On 30 September 2013, the OPUS Group Board received a further waiver from CBA which provides an extension to 2 October 2013 in order to allow additional time for an agreement with respect to a variation of the debt facility and the extension of the repayment timetable.

The proposed variation deed extends the facility to September 2016, with progressive debt reduction to be implemented via the sale of the Outdoor Media division, raising equity capital and various capital management and other initiatives over the term of the facility. The amortisation timetable provides that at least $27,500,000 is repayable throughout the period to 30 June 2014 under the revised debt facility structure. This amount includes scheduled amortisation and additional debt reduction through the initiatives described above.

As part of the extension and variation arrangements, and in consideration for CBA agreeing to them, the Company will grant CBA a warrant which upon an exit event for all OPUS Group shareholders, will entitle CBA to a 10% equity interest in the Company. The detailed terms and conditions associated with the warrant are subject to final legal documentation and any necessary regulatory approvals. This documentation and related approvals are required to be completed by 30 November 2013 and further detail will be provided in this regard before that date.

The proposed variation deed is expected to revise the covenants attached to the CBA facilities. The revised covenants will be in respect to a rolling EBITDA measure, minimum cash balance requirements and limits on capital expenditure. The proposed variation deed will allow, at the option of the Company, for the capitalisation of interest on the higher margin component of the debt facility.

The Directors anticipate that an agreement on these matters will be reached with CBA by 2 October 2013, including the finalisation of associated documentation. If, however, agreement cannot be reached, CBA will become entitled to request the immediate repayment of loans under the facility agreement. An appropriate announcement will be made once discussions with CBA have been finalised.

Each guarantor grants security over its assets (including a fixed and floating charge) in favour of CBA to support that guarantee in the form of a General Security Deed containing a specific security over shares or units in any unit trust held by that guarantor.

(b) Convertible notes

In January 2013, the Group entered into a loan agreement for up to $3,400,000 with entities related to two existing shareholders to meet short-term working capital requirements, fund the closure costs of the Mulgrave facility and other Group reorganisation initiatives. The loan is convertible to ordinary shares in the Company at the option of the lender at any time up and until the facility maturity date of 31 March 2014. The loan agreement and conversion option was approved by shareholders on 28 March 2013 at an Extraordinary General Meeting. The Company pays interest at 15% per annum on this facility which is capitalised. As the maturity date falls within 12 months of the balance sheet date, the convertible loan note debt is classified as a current liability.

25. PROVISIONS

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Employee benefit liability for annual leave and time in lieu	2,081	2,418
Employee benefit liability for long service leave – current	2,420	2,774
Deferred consideration for BlueStar acquisition – current	782	–
Total current provisions	5,283	5,192
Employee benefit liability for long service leave – non-current	386	400
Deferred consideration for BlueStar acquisition – non-current	656	–
Total non-current provisions	1,042	400
Total provisions	6,325	5,592

The current provision for employee benefits includes accrued annual leave, time in lieu and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The entire amount is classified as current, since the OPUS Group does not have an unconditional right to defer settlement. Based on past experience the OPUS Group does not expect all employees to take the full amount of leave or require payment within 12 months. At 30 June 2013 management estimate that approximately $2,137,000 (2012: $2,450,000) of the above employee entitlement provision will not be taken within 12 months.

Settlement of the consideration for the acquisition will occur on a deferred basis over a two year period, based on the actual revenue contribution with minimum thresholds in place. The deferred consideration is contingent on revenues generated from Blue Star customers using a contractual formula to assess the contribution of customers which were shared by the two entities.

26. SHARE CAPITAL

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Issued and paid up capital:		
53,678,177 (2012: 53,678,177) ordinary shares – fully paid	39,353	39,353

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the there is no limit on the amount of authorised capital.

27. RESERVES AND RETAINED PROFITS

		Consolidated	
		30 June 2013	**30 June 2012**
		AUD$'000s	*AUD$'000s*
(a)	*Reserves*		
	Hedging reserve – cash flow hedges	(834)	(929)
	Foreign currency translation reserve	519	(801)
		(315)	(1,730)
	Hedging reserve – cash flow hedges		
	Balance 1 July	(929)	(93)
	Changes in fair value of hedges net of tax	95	(836)
	Balance 30 June	(834)	(929)
	Foreign currency translation reserve		
	Balance 1 July	(801)	(1,116)
	Exchange differences on the translation of internal borrowings	405	(235)
	Exchange differences on the translation of foreign operations	915	550
	Balance 30 June	519	(801)
(b)	*Accumulated losses*		
	Balance 1 July	(3,075)	(1,281)
	Loss after tax	(2,782)	(1,794)
	Balance 30 June	(5,857)	(3,075)

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(ii) Foreign currency translation reserve

The hedging reserve comprises all foreign currency differences arising from the translation on consolidation of the financial statements of the subsidiaries, which do not have an Australian Dollar functional currency.

The OPUS Group funds its foreign operations through the use of internal borrowings between the OPUS Group businesses. These borrowings which are taken out to provide additional equity to the New Zealand operations has been designated as a net investment in the subsidiary. The foreign exchange gain of $405,000 (2012: loss of $235,000) on translation of the loans to Australian Dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

28. CONTRACTUAL COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Aggregate capital expenditure contracted for at balance sheet date, but not provided for in the accounts due:		
Not later than one year	86	126
Total capital commitments	86	126

(b) Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Less than a year	2,463	3,065
Between one and five years	6,733	5,249
More than five years	3,296	1,383
Total lease commitments	12,492	9,697

The OPUS Group leases land, printing assets, warehouses and general office equipment. Certain of the properties are leased from related parties. Refer to Note 30 for details of these related party leases.

(c) Finance lease commitments

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Commitments in relation to Finance lease payments are payable as follows:		
Not later than one year	1,049	1,045
Later than one year but not later than five years	2,448	3,428
	3,497	4,473
Future finance charges	(390)	(692)
Recognised as a liability	3,107	3,781
Representing finance lease		
Current – *Note 24*	863	776
Non-current – *Note 24*	2,244	3,005
Total finance leases	3,107	3,781

The OPUS Group leases offices, warehouses, plant and machinery and motor vehicles under non-cancellable operating leases and Finance lease arrangements expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are generally re-negotiated.

29. CONTINGENT LIABILITIES

The obligations of the controlled entities under an operating lease agreement are partly secured by a bank guarantee.

The terms of the CBA facilities require OPUS Group Limited and each of its subsidiaries to be guarantors in respect of the debt. Each guarantor grants security over its assets (including a fixed and floating charge) in favour of CBA to support that guarantee in the form of a General Security Deed containing a specific security over shares or units in any unit trust held by that guarantor.

30. RELATED PARTIES

Key management personnel compensation

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Short-term employee benefits	1,500	1,604
Post-employment benefits	83	58
Long-term benefits	1	3
Total key management personnel compensation	1,614	1,665

Details of above remuneration disclosures are provided in the Remuneration Report on pages II-144 to II-154.

Lease costs

Ligare Pty Limited occupies a property in Riverwood, Sydney under a lease agreement with D.M.R.A Property Pty Limited a company controlled by Mr Celarc, who is a shareholder and Director of OPUS Group Limited. The lease agreement expires in December 2016. Lease fees paid for the year total $621,000 (2012: $612,000). $2,000 was outstanding at the reporting date (2012: $nil).

Consulting fees

Consulting fees paid to Mr Celarc (Director) through Angrich Pty Limited Consulting for the year ended 30 June 2013 amounted to $295,000 (2012: $300,000).

Loans to key management personnel

An unsecured loan has been advanced by the OPUS Group to Mr Brigstocke amounting to $1,136,000 (2012:$1,070,000). Details of the movements in this loan are as follows:

Name	Balance at the start of the year *AUD$'000s*	Net Interest capitalised and payable for the year *AUD$'000s*	Loan repaid *AUD$'000s*	Balance at the end of the year *AUD$'000s*	Highest indebtedness during the year *AUD$'000s*
Clifford D. J. Brigstocke	1,070	83	(17)	1,136	1,136

The above loan outstanding is unsecured and interest is payable on this loan at the rate of 7.8% per annum. The loan is payable on demand and 60% of any distributions received by Mr Brigstocke in relation to shares held in the OPUS Group must be firstly applied to any interest owing and secondly as a permanent repayment of a portion of the loan.

Short-term loan from existing shareholders with conversion option

In January 2013, the Group entered into a loan agreement for up to $3,400,000 with entities related to two existing shareholders to meet short-term working capital requirements, fund the closure costs of the Mulgrave facility and other Group reorganisation initiatives. The loan is convertible to ordinary shares in the Company at the option of the lender at any time up and until the facility maturity date of 31 March 2014. The loan agreement and conversion option was approved by shareholders on 28 March 2013 at an Extraordinary General Meeting. The Company pays interest at 15% per annum on this facility which is capitalised. As the maturity date falls within 12 months of the balance sheet date, the convertible loan note debt is classified as a current liability.

Shareholdings

The number of ordinary shares in the OPUS Group held during the financial year by each Director of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year	Balance at the date of this report
Directors of OPUS Group Limited				
William J. Mackarell *(Chairman)*	60,000	–	60,000	60,000
Richard F. Celarc	7,826,627	–	7,826,627	7,826,627
Bret P. Jackson	18,772,623	–	18,772,623	18,772,623
Simon A. Rowell	54,381	–	54,381	54,381
James M. Sclater	50,000	16,980	66,980	66,980
M. J. McGrath (resigned 31 July 2013)	25,025	–	25,025	25,025
Other key management personnel of the Group				
Robert I. Alexander	–	–	–	–
Clifford D. J. Brigstocke	1,704,117	–	1,704,117	1,704,117

Shareholdings held by the above key management personnel in the share capital of OPUS Group Limited at 30 June 2012 were:

2012

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of OPUS Group Limited			
William J. Mackarell *(Chairman)*	–	60,000	60,000
Richard F. Celarc	–	7,826,627	7,826,627
Bret P. Jackson	–	18,772,623	18,772,623
Simon A. Rowell	–	54,381	54,381
James M. Sclater	–	50,000	50,000
Matthew J. McGrath	–	25,025	25,025
Other key management personnel of the Group			
Robert I. Alexander	–	–	–
Clifford D. J. Brigstocke	–	1,704,117	1,704,117

31. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

At 30 June 2013, due to the requirements of the debt facility in place at the balance sheet date, the Group had a requirement to repay $25,963,000 of debt to CBA in the 12 months to 30 June 2014 of which $20,000,000 was due by 30 September 2013. This amount is classified as a current liability in the 30 June 2013 financial report such that the Group has presented a net current liability position of $16,573,000 on its balance sheet.

The Group is currently continuing advanced discussions with CBA in order to restructure its debt facility, including so as to extend the date of repayment of these amounts and to revise the terms under the facility agreement.

On 30 August 2013, the Group received a proposal from CBA which has been the subject of discussion throughout the intervening period. On 9 September 2013, a conditional term sheet was executed which outlined the commercial aspects of the proposed debt facility variation but was still subject to final documentation and agreement between the parties. The conditional term sheet waived the requirement to pay the $20,000,000 due by 30 September 2013 subject to the final variation of the debt facility being executed.

On 30 September 2013, the OPUS Group Board received a further waiver from CBA which provides an extension to 2 October 2013 in order to allow additional time for an agreement with respect to a variation of the debt facility and the extension of the repayment timetable.

The proposed variation deed extends the facility to September 2016, with progressive debt reduction to be implemented via the sale of the Outdoor Media division, raising equity capital and various capital management and other initiatives over the term of the facility. The amortisation timetable provides that at least $27,500,000 is repayable throughout the period to 30 June 2014 under the revised debt facility structure. This amount includes scheduled amortisation and additional debt reduction through the initiatives described above.

As part of the extension and variation arrangements, and in consideration for CBA agreeing to them, the Company will grant CBA a warrant which upon an exit event for all OPUS Group shareholders, will entitle CBA to a 10% equity interest in the Company. The detailed terms and conditions associated with the warrant are subject to final legal documentation and any necessary regulatory approvals. This documentation and related approvals are required to be completed by 30 November 2013 and further detail will be provided in this regard before that date.

The proposed variation deed is expected to revise the covenants attached to the CBA facilities. The revised covenants will be in respect to a rolling EBITDA measure, minimum cash balance requirements and limits on capital expenditure. The proposed variation deed will allow, at the option of the Company, for the capitalisation of interest on the higher margin component of the debt facility.

The Directors anticipate that an agreement on these matters will be reached with CBA by 2 October 2013, including the finalisation of associated documentation. If, however, agreement cannot be reached, CBA will become entitled to request the immediate repayment of loans under the facility agreement. An appropriate announcement will be made once discussions with CBA have been finalised.

32. PARENT ENTITY FINANCIAL INFORMATION

Summary financial information

As at and throughout the financial year ended 30 June 2013, the legal parent company of the OPUS Group was OPUS Group Limited.

The individual financial statements for the parent entity show the following aggregate amounts:

	Consolidated	
	30 June 2013	**30 June 2012**
	AUD$'000s	*AUD$'000s*
Balance sheet		
Current assets	2,481	2,020
Non-current assets	95,772	138,321
Total assets	98,253	140,341
Current liabilities	28,393	1,510
Non-current liabilities	30,402	64,043
Total liabilities	58,795	65,553
Shareholders' equity		
Issued capital	53,687	53,687
Reserves		
Cash flow hedges	(834)	(897)
Retained earnings	(13,395)	21,998
Total shareholders' equity	39,458	74,788
(Loss)/profit for the year	(35,425)	22,983
Other comprehensive income – movement in cashflow hedge	95	(898)
Total comprehensive income	(35,330)	22,085

(a) Guarantees entered into by the parent entity

There are cross guarantees given by OPUS Group Limited as described in Note 33. At 30 June 2013 OPUS Group Limited had issued bank guarantees in relation to subsidiary entities to the value of $186,000 (2012: $186,000).

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 (2012: $nil). For information about guarantees given by the parent entity, please see above.

(c) Impairment

OPUS Group Limited recognised an impairment of non-current assets of $23,147,000 in the year ended 30 June 2013, comprising impairments in subsidiary investments of $20,065,000 (2012: nil) and impairment of intercompany receivables of $3,082,000 (2012: nil).

33. DEED OF CROSS GUARANTEE

OPUS Group Limited, and the following controlled entities, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

Entity	**ACN**
McPherson's Printing Pty Limited	004 911 308
Ligare Pty Limited	001 787 275
CanPrint Communications Pty Limited	079 915 932
Cactus Imaging Holdings Pty Limited	129 630 539
CanPrint Holdings Pty Limited	123 477 377
OPUS Group (Australia) Pty Limited	125 553 497
Cactus Imaging Pty Limited	072 625 720
Union Offset Co. Pty Limited	008 458 099
Integrated Print And Logistics Management Pty Limited	086 158 894

By entering into the deed, the whollyowned entities have been relieved from the requirement to prepare a financial report and director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order and as there are no other parties to the Deed of Cross Guarantee that are controlled by OPUS Group Limited, they also represent the 'Extended Closed Group'.

(a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits

Set out below is a Consolidated Statement of Comprehensive Income and a summary of movements in consolidated retained profits for the year ended 30 June 2013 of the Closed Group.

	30 June 2013
	AUD$'000s
Revenue from continuing operations	84,324
Other Income	785
Changes in inventories of finished goods, materials and work in progress	(23,384)
Other production costs and freight	(15,055)
Employee benefits expense	(31,491)
Occupancy costs	(3,695)
Depreciation and amortisation expense	(6,139)
Gain/loss on disposal of assets	(41)
Impairment expense	(13,858)
Realised foreign exchange gain	1
Other expenses	(7,998)
Operating loss before finance costs	(16,551)
Finance revenue	1,438
Finance expenses	(7,108)
Net finance costs	(5,670)
Share of net loss of associate	(116)
Loss before income tax	(22,337)
Income tax expense	(598)
Loss after income tax	(22,935)
Profit from discontinued operation (net of tax)	1,733
Loss after discontinued operation	(21,202)
Other comprehensive income	
Changes of fair value of cash flow hedges (net of tax)	95
Other comprehensive income for the year, net of tax	95
Total comprehensive income	(21,207)
Summary of movement in retained earnings	
Retained profits at the beginning of the financial year	7,579
Loss after income tax for the year	(21,203)
Accumulated losses at the end of the financial year	(13,624)

(b) Consolidated Balance Sheet

Set out below is a Consolidated Balance Sheet as at 30 June 2013 of the Closed Group:

	30 June 2013
	AUD$'000s
Current assets	
Cash and cash equivalents	2,472
Trade and other receivables	10,522
Inventories	4,506
Other current assets	2,487
Discontinued assets held for sale	10,600
Total current assets	30,587
Non-current assets	
Receivables	26,550
Other financial assets	25,535
Property, plant and equipment	23,424
Deferred tax assets	4,108
Total noncurrent assets	79,617
Total assets	110,204
Current liabilities	
Bank overdraft and other short-term loans	1,500
Trade and other payables	10,144
Finance leases	769
Borrowings	25,963
Shareholder loan	3,137
Derivative financial instruments	717
Provisions	5,253
Discontinued liabilities held for sale	1,871
Total current liabilities	49,354
Non-current liabilities	
Borrowings	26,421
Payables	5,593
Derivative financial instruments	845
Finance leases	2,054
Provisions	1,042
Total non-current liabilities	35,955
Total liabilities	85,309
Net assets	24,895
Equity	
Contributed equity	39,353
Reserves	(834)
Retained earnings	(13,624)
Total equity	24,895

(c) Contingent liabilities and guarantees

The subsidiaries have guaranteed the repayment of borrowings of the OPUS Group. The cross guarantee given by those entities listed may give rise to liabilities in each entity if the subsidiaries do not meet their obligations under the terms of the overdrafts, loans, leases, or other liabilities subject to the guarantee.

(d) Impairment

The Closed Group recognised an impairment of non-current assets of $16,940,000 in the year ended 30 June 2013, comprising impairments in subsidiary investments of $13,858,000 (2012: nil) and impairment of intercompany receivables of $3,082,000 (2012: nil).

Remuneration Report

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

- Key management personnel identification
- Principles used to determine the nature and amount of remuneration
- Remuneration and other transactions with key management personnel

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

Key management personnel identification

The key management personnel (as defined in AASB 124 Related Party Disclosures) of OPUS Group are the Directors and the following executives, as they had authority and responsibility for planning, directing and controlling the activities of the OPUS Group, directly or indirectly, during the financial year:

Name	Position	Employer
Clifford D. J. Brigstocke	Chief Executive Officer	OPUS Group Australia Pty Limited
Robert I. Alexander	Chief Financial Officer/Joint Company Secretary	OPUS Group Australia Pty Limited

In the prior year Mr Brigstocke, Mr Heron and Mr Alexander were identified as key management personnel of the OPUS Group of Companies. After internal restructuring, the role of Mr Heron changed such that he is no longer classified as key management personnel. Mr Celarc is identified as one of the key management personnel as a result of being a Director but also as a result of his capacity as a senior executive.

Principles used to determine the nature and amount of remuneration

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

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage and alignment of executive compensation;
- Transparency; and
- Capital management.

OPUS Group has a remuneration policy and structure that is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the achievement of the Company's strategies and goals.

Remuneration is accordingly set to the following principles:

- No individual may be involved directly in determining his or her remuneration. External advice is sought in relation to remuneration where appropriate;
- Remuneration disclosure to shareholders will at a minimum comply with the requirements of legislation and Accounting Standards; and
- Remuneration for Directors is determined by the Board and/or the Nomination and Remuneration Committee within the maximum amount determined by shareholders from time to time at the Company's Annual General Meeting. Non-executive Directors may not participate in any incentive schemes that are established.

The remuneration framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current year.

Use of remuneration consultants

The Group engaged KPMG to review and structure a long-term incentive plan for Key Management Personnel. The proposed plan has been deferred as it was not deemed appropriate at the time given business performance and current share price. Remuneration paid to KPMG in respect of this work to date for the financial year was $6,500 (2012: Nil).

Nomination and Remuneration Committee

OPUS Group has a Nomination and Remuneration Committee which has been established by the Board of Directors to annually review, evaluate and make recommendations to the Board in relation to remuneration, including:

- Director remuneration;
- Staff incentive plans proposed by the Chief Executive Officer, including bonus, share and option plans, and the basis of their application;
- Salary, benefits and total remuneration packages of the Chief Executive Officer and other senior executives; and
- Substantial changes to the principles of the OPUS Group's superannuation arrangements.

Remuneration and other transactions with key management personnel

Key management personnel remuneration

Directors' fees are determined within an aggregate Directors' fee pool limit. For the financial year ended 30 June 2013 and in respect of each financial year thereafter and until otherwise determined by a resolution of OPUS Group shareholders, the maximum aggregate remuneration payable to all Directors of the OPUS Group for their services as Directors including their services on a Board or committee or sub-committee and including superannuation is limited to $600,000 per annum (in total). Services provided which are not in the capacity as a Director (e.g. general consulting) are excluded from the limit.

The Chairman and other non-executive Directors receive additional fees for their membership of the Board's Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee. Directors may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their Directors' or committee membership fees, to any complying nominated superannuation fund.

The total fixed remuneration packages inclusive of superannuation and other benefits for Key Management Personnel of the OPUS Group at the date of this report are as follows:

Name	Term of Agreement	Total Fixed Remuneration	Notice Period by Executive	Notice Period by OPUS Group	Termination Payment
Clifford D. J. Brigstocke	Open	$467,542*	12 months	12 months	12 months
Robert I. Alexander	Open	$303,412*	6 months	9 months	6 months

* Inclusive of superannuation

Base pay is structured as a package amount which may be delivered as cash and prescribed non-cash financial benefits, including motor vehicles and additional superannuation contributions at the executive's discretion. Base pay is reviewed annually to reflect increases in responsibility and to ensure that the executive's pay is competitive in the market for a comparable role. There are no guaranteed base pay increases included in any Senior Executives' contracts.

Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

Short-term performance incentives

Short-term incentives in the form of cash bonuses are available to senior executives providing the OPUS Group or the operating division or business most closely aligned with the executive's area or areas of responsibility achieve or exceed pre-determined profit and other financial targets and that the senior executive achieve key personal performance objectives. Adjusted EBITDA performance targets consistent with those disclosed in the segment reporting note of this Annual Financial Report have been selected because this ensures that variable reward is only available when value has been created for shareholders and when financial and other targets are consistent with or exceed the business plan.

Each year the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators together with the level of payout if targets are met or exceeded. Short-term incentive-based remuneration is generally set as a percentage of base salary relative to the role of the individual participating in the incentive program. Financial performance linked incentives for key management personnel were focused on Adjusted EBITDA targets and cash flow realisation and were potentially payable up to 50% of his base remuneration including superannuation.

An assessment regarding eligibility for a cash bonus is made by reference to actual performance outcomes when these are known following the conclusion of the financial year. Short-term incentives are normally payable following the end of the financial year to which the incentive relates.

Link of historical financial performance to performance incentives

For the year ended 30 June 2013, no short-term performance were paid to key management personnel due to the operating performance for the OPUS Group not meeting these targets.

Short-term incentive payments paid to Mr Brigstocke in FY13 were in relation to the achievement of the merger of the McPherson's Printing business into the OPUS Group's operational structure and the achievement of integration and synergy activities subsequent to the merger transaction.

A table summarising the short-term incentive plan payments which could have been potentially paid if the relevant targets were achieved and those that were actually paid or payable is summarised below.

KMP	Base remuneration including superannuation for the year	Total financial performance-linked incentive potential	Financial performance-linked incentive paid (% of potential)	Total non-financial performance-linked incentive potential	Non-financial performance-linked incentive paid (% of potential)	Total incentive paid to key management personnel (% of potential)
Cliff. D.J. Brigstocke	$395,500	$197,750	Nil (0%)	$51,600	$51,600 (100%)	$51,600 (21%)
Robert I. Alexander	$300,000	$150,000	Nil (0%)	Nil	Nil (0%)	Nil (0%)

Under the current operating structure financial performance specifically linked to Adjusted EBITDA is a key element of the quantification of performance incentives on a going forward basis.

As the Company became public in April 2012, historically there has not been a direct link between share price performance, shareholder dividend returns and other total shareholder return measures and the performance incentives issued to key management personnel.

A linkage to total shareholder return is expected to be built into the proposed long-term incentive plan as appropriate.

Long-term performance incentives

The OPUS Group is in the process of establishing a long-term incentive plan for key management personnel and as noted earlier in this report has been obtaining advice from KPMG in this regard.

The proposed plan has been deferred as it was not deemed appropriate at the time given business performance and current share price.

Retirement benefits

Retirement benefits are delivered by a number of superannuation funds selected by the OPUS Group or the executive. Executives may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their base package amount, to any complying nominated superannuation fund.

Performance assessment

The process for reviewing the performance of Senior Executives is undertaken by the Chief Executive Officer.

The Chairman is responsible for meeting with the individual Directors to discuss their individual performance and contribution to the Board however the Nomination and Remuneration Committee oversee this function. The performance of the Chief Executive Officer is monitored and assessed by the members of the Nomination and Remuneration Committee.

The Chairman of the Nomination and Remuneration Committee is Mr Rowell, a non-executive Director. The other members of the Committee are Mr Jackson and Mr Mackarell, both of whom are non-executive Directors. All Committee members are non-executive Directors.

Details of remuneration

Details of the remuneration of the Directors of the OPUS Group, the other key management personnel and the other highest remunerated executives of the OPUS Group are set out in the following tables. Remuneration for the Board in FY13 has increased compared to FY12 as a result of FY13 being the first year where the Company was an ASX Publicly listed company for the full year. The FY12 remuneration only includes Committee fees related to the Audit Risk Management and Compliance Committee and the Remuneration and Nomination Committee from 1 April 2012.

FY13		Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long Service Leave	Termination benefits	Options	Total	Proportion of remuneration linked to performance
	$	$	$	$	$	$	$	$	
Directors of OPUS Group Limited									
William J. Mackarell *(Chairman)*	102,000	–	–	9,180	–	–	–	111,180	0%
Richard F. Celarc	355,000	–	–	5,400	–	–	–	360,400	0%
Bret. P. Jackson	78,480	–	–	–	–	–	–	78,480	0%
Simon. A. Rowell	76,000	–	–	6,840	–	–	–	82,840	0%
James. M. Sclater	70,000	–	–	6,300	–	–	–	76,300	0%
Matthew J. McGrath (resigned 31 July 2013)	72,600	–	–	6,534	–	–	–	79,134	0%
Other Group Key Management Personnel									
Robert I. Alexander	277,606	–	–	24,750	–	–	–	302,356	0%
Clifford D. J. Brigstocke	416,199	51,600	29,688	24,348	1,278	–	–	523,113	10%
Total remuneration	1,447,885	51,600	29,688	83,352	1,278	–	–	1,613,803	

FY12		Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long Service Leave	Termination benefits	Options	Total	Proportion of remuneration linked to performance
	$	$	$	$	$	$	$	$	
Directors of OPUS Group Limited									
William J. Mackarell *(Chairman)*	76,125	–	–	2,295	–	–	–	78,420	0%
Richard F. Celarc	341,250	–	–	1,013	–	–	–	342,263	0%
Bret. P. Jackson	89,254	–	–	–	–	–	–	89,254	0%
Simon. A. Rowell	29,000	–	–	2,610	–	–	–	31,610	0%
James. M. Sclater	54,274	–	–	–	–	–	–	54,274	0%
Other Group Key Management Personnel									
Robert I. Alexander	148,077	55,000	–	14,625	–	–	–	217,702	25%
Clifford D. J. Brigstocke	357,840	48,400	100,157	36,090	2,733	–	–	545,220	9%
Mark R. Heron	195,126	23,415	–	–	–	–	–	218,541	11%
Philip R. Bennett	37,125	–	–	–	–	–	–	37,125	0%
Total remuneration	1,377,321	126,815	100,157	57,983	2,733	–	–	1,665,009	

(1) Cash salary and fees includes movements in the annual leave provision where applicable.

(2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses.

(3) Remuneration disclosed for FY13 includes $295,000 of consulting fees related to Mr Celarc's role consulting to the Publishing division for the OPUS Group. These fees are excluded from the limit of Director remuneration as disclosed on page II-146.

(4) Short-term incentive payments paid to Mr Brigstocke, Mr Alexander and Mr Heron in FY13 and FY12 were in relation to the achievement of the ASX listing in April 2012, the merger of the McPherson's Printing business into the OPUS Group's operational structure and the achievement of integration and synergy activities subsequent to the merger transaction.

As a result of the reverse acquisition accounting, the remuneration of Directors and other key management personnel remuneration disclosed for FY12 are for services provided to the OPUS Group of Companies for the full year and for OPUS Group Limited for the period 31 March 2012 to 30 June 2012. Remuneration disclosed above is for the period which the above individuals provided services to the OPUS Group.

Amounts disclosed as remuneration of Directors and Executives exclude premiums paid by the consolidated entity in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is disclosed on page II-153.

Shareholdings

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2013

Name	**Balance at the start of the year**	**Changes during the year**	**Balance at the end of the year**	**Balance at the date of this report**
Directors of OPUS Group Limited				
William J. Mackarell *(Chairman)*	60,000	–	60,000	60,000
Richard F. Celarc	7,826,627	–	7,826,627	7,826,627
Bret P. Jackson[1]	18,772,623	–	18,772,623	18,772,623
Simon A. Rowell	54,381	–	54,381	54,381
James M. Sclater	50,000	16,980	66,980	66,980
Matthew J. McGrath (resigned 31 July 2013)	25,025	–	25,025	25,025
Other key management personnel of the Group				
Robert I. Alexander	–	–	–	–
Clifford D. J. Brigstocke	1,704,117	–	1,704,117	1,704,117

Convertible notes

The Group issued convertible notes during the year. The number of convertible notes held during the financial year by each Director and other key management personnel of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year	Balance at the date of this report
Directors of OPUS Group Limited				
Richard F. Celarc and related entities	–	9,000	9,000	9,000
Bret P. Jackson[1] and related entities	–	21,000	21,000	21,000

1 Mr Jackson is a director of OPUS Group Limited and a director of the following entities which hold securities in OPUS Group: Knox Investment Partners Fund III AUD 1 Limited, Knox Investment Partners Fund III AUD 3 Limited, Knox Investment Partners Fund III AUD 4 Limited, Knox Investment Partners Fund III AUD 5 Limited and Knox OPUS LP.

Consulting fees

Consulting fees paid to Mr Celarc (Director) through Angrich Pty Limited Consulting for the year ended 30 June 2013 amounted to $295,000 (2012: $300,000). These amounts are disclosed as part of Mr Celarc's remuneration noted above.

Consulting fees paid to Mr McGrath (director during the year) through JBD Investments Pty Limited for marketing and promotional activities amounted to $nil (2012: $56,000).

Other transactions with key management personnel

Other transactions with key management personnel are disclosed at note 30 of this report.

Indemnification and insurance of officers

The OPUS Group has agreed to indemnify the current Directors and certain current executive of the OPUS Group against all liabilities to another person (other than the OPUS Group or a related body corporate) that may arise from their position as Directors or officers of the OPUS Group, to the extent permitted by law. The indemnity agreement stipulates that the OPUS Group will meet the full amount of such liabilities, including costs and expenses.

The OPUS Group pays a premium to insure Directors and certain officers of the OPUS Group and controlled entities. The officers of the OPUS Group covered by the insurance policy include the current Directors and Secretary of the parent company and its subsidiaries, senior management of the OPUS Group and senior management of divisions and controlled entities of the OPUS Group. As the insurance policy operates on a claims made basis, former Directors and officers of the OPUS Group are also covered.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or controlled entities. The insurance policy outlined above does not contain details of premiums paid in respect of individual Directors and officers of the OPUS Group. The insurance policy prohibits disclosure of the premium paid.

The OPUS Group has not otherwise indemnified or agreed to indemnify an officer or of any related body corporate against a liability incurred by such officer.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPUS GROUP LIMITED

Report on the financial report

We have audited the accompanying financial report of OPUS Group Limited (the company), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for OPUS Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 OPUS Group Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its 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.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates that the Group's ability to meet its debt repayments and comply with its debt covenants is dependent upon the Group being successful in generating sufficient future cash flows through the divestment of business, equity raising and improved profitability. These conditions, along with other matters set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages II-144 to II-154 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of OPUS Group Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Sydney
30 September 2013

Issued by OPUS Group's auditor

(3) The following is the audited financial statements of OPUS Group for the year ended 30 June 2012, which were prepared in accordance with IFRS. These financial statements were presented in thousands of Australian dollars except where otherwise stated. OPUS Group's 2012 financial statements are available free of charge, in printable format on OPUS' website (www.opusgroup.com.au).

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2012

		Consolidated	
		30 June 2012	**30 June 2011**
	Note	*AUD$'000s*	*AUD$'000s*
Revenue from continuing operations		96,068	79,650
Other Income	7	604	340
Changes in inventories of finished goods, materials and work in progress		(25,668)	(19,837)
Other production costs and freight		(15,584)	(11,170)
Employee benefits expense	8	(31,981)	(25,997)
Occupancy costs		(4,192)	(4,339)
Depreciation and amortisation expense	19a	(7,199)	(5,684)
Impairment expense	9	(114)	(4,839)
Cost of closing interest rate swaps		(515)	–
Realised foreign exchange loss		(30)	–
Other expenses		(7,116)	(8,228)
Operating profit/(loss) before finance costs		4,273	(104)
Finance revenue		78	65
Finance expenses		(5,178)	(5,612)
Net finance costs		(5,100)	(5,547)
Share of net (loss) of associate	17	(14)	–
(Loss) before income tax		(841)	(5,651)
Income tax (expense)/benefit	10a	(953)	422
(Loss) after income tax		(1,794)	(5,229)

	Note	Consolidated 30 June 2012 AUD$'000s	30 June 2011 AUD$'000s
Other comprehensive (loss)			
Changes in fair value of cash flow hedges (net of tax)	27a	(836)	(93)
Exchange differences on translation of foreign operations	27a	315	(563)
Other comprehensive (loss)		(521)	(656)
Total comprehensive (loss)		(2,315)	(5,885)
		Cents	*Cents*
Basic (loss) per share	2	(4.47)	(14.70)
Diluted (loss) per share	2	(4.47)	(14.70)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

As a result of the reverse acquisition accounting, the Consolidated Statement of Comprehensive Income for the year ended 30 June 2012 includes the results of the OPUS Group of Companies for the full year and the results of OPUS Group Limited and McPherson's Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 only. The comparatives presented are for the OPUS Group of Companies only.

Consolidated Balance Sheet
as at 30 June 2012

		Consolidated		
		30 June 2012	**30 June 2011**	**1 July 2010**
	Note	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Current assets				
Cash	12	4,443	2,205	5,108
Trade and other receivables	13	16,088	10,941	12,705
Inventories	14	7,270	3,649	2,754
Other current assets	15	2,700	2,644	23
Assets classified as held for sale	16	98	15	74
Income tax receivable		272	964	20
Total current assets		30,871	20,418	20,684
Non-current assets				
Investments accounted for using the equity method	17	1,038	–	–
Property, plant and equipment	19	40,006	24,668	16,085
Deferred tax assets	21	5,741	1,823	1,480
Intangibles	20	50,513	47,828	37,838
Total non-current assets		97,298	74,319	55,403
Total assets		128,169	94,737	76,087
Current liabilities				
Trade and other payables	22	17,145	11,760	11,830
Provision for income tax		848	–	–
Derivative financial instruments	23	1,253	93	–
Interest bearing liabilities	24	6,176	56,462	10,693
Employee benefits	25	5,192	2,746	2,679
Total current liabilities		30,614	71,061	25,202
Non-current liabilities				
Derivative financial instruments	23	543	–	–
Interest bearing liabilities	24	61,105	127	22,300
Employee benefits	25	400	373	376
Deferred tax liabilities	21	959	1,090	238

		Consolidated		
		30 June 2012	**30 June 2011**	**1 July 2010**
	Note	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total non-current liabilities		63,007	1,590	22,914
Total liabilities		93,621	72,651	48,116
Net assets		34,548	22,086	27,971
Equity				
Share capital	26	39,353	24,576	24,576
Reserves	27	(1,730)	(1,209)	(553)
(Accumulated losses)/retained profits	27	(3,075)	(1,281)	3,948
Total equity		34,548	22,086	27,971

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Refer to Note 5 regarding the requirement to present an opening Consolidated Balance Sheet at 1 July 2010 as this is the first Annual Financial Report prepared complying with Australian Accounting Standards and International Financial Reporting Standards.

As a result of the reverse acquisition accounting, the Consolidated Balance Sheet for the year ended 30 June 2012 includes the assets and liabilities for the OPUS Group of Companies and OPUS Group Limited and McPherson's Printing Pty Limited. The comparatives presented are for the OPUS Group of Companies only.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2012

Consolidated	Note	Share Capital	Reserves	Retained Profits/ (Accumulated losses)	Total
	Note	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Balance at 1 July 2010		24,576	(553)	3,948	27,971
(Loss) after income tax		–	–	(5,229)	(5,229)
Changes in fair value of cash flow hedges net of tax		–	(93)	–	(93)
Exchange differences on translation of foreign operations and internal borrowings		–	(563)	–	(563)
Total comprehensive (loss)		–	(656)	(5,229)	(5,885)
Balance at 30 June 2011		24,576	(1,209)	(1,281)	22,086

Consolidated	Note	Share Capital	Reserves	Accumulated losses	Total
	Note	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Balance at 1 July 2011		24,576	(1,209)	(1,281)	22,086
(Loss) after income tax		–	–	(1,794)	(1,794)
Changes in fair value of cash flow hedges net of tax		–	(836)	–	(836)
Exchange differences on translation of foreign operations and internal borrowings		–	315	–	315
Total comprehensive (loss)		–	(521)	(1,794)	(2,315)
Transactions with owners					
Return of capital to OPUS Group of Companies shareholders	4	(12,000)	–	–	(12,000)
Issue of share capital for reverse acquisition	4	26,777	–	–	26,777
Total transactions with owners		14,777	–	–	14,777
Balance at 30 June 2012		39,353	(1,730)	(3,075)	34,548

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

As a result of the reverse acquisition accounting, the Consolidated Statement of Changes in Equity for the year ended 30 June 2012 includes equity movements related to the OPUS Group of Companies for the full year and the movements related to OPUS Group Limited and McPherson's Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 only. The comparatives presented are for the OPUS Group of Companies only.

Consolidated Statement of Cash Flows
for the year ended 30 June 2012

		Consolidated	
		30 June 2012	**30 June 2011**
	Note	*AUD$'000s*	*AUD$'000s*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		106,976	77,463
Payments to suppliers and employees (inclusive of GST)		(95,637)	(67,812)
Interest received		58	65
Interest and borrowing costs paid		(5,206)	(4,246)
Net income tax paid		(1,495)	(2,151)
Net cash inflows from operating activities	12	4,696	3,319
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(2,249)	(2,841)
Proceeds from the disposal of property, plant and equipment		75	237
Acquisition of business net of cash acquired	4	–	(26,452)
Shareholder loan repaid		344	–
Return of capital to OPUS Group of Companies shareholders	4	(12,000)	–
Dividends received		200	–
Cash acquired in reverse acquisition	4	4,276	–
Net cash outflows from investing activities		(9,354)	(29,056)
Cash flows from financing activities			
Proceeds from borrowings		65,000	59,756
Repayment of borrowings		(56,933)	(38,161)
Repayment of finance leases		(218)	–
Net cash inflows from financing activities		7,849	21,595
Net increase/(decrease) in cash held		3,191	(4,142)
Cash and cash equivalents at beginning of the financial year		1,234	4,970
Net effect of exchange rate changes on cash		18	406

		Consolidated	
		30 June 2012	**30 June 2011**
	Note	*AUD$'000s*	*AUD$'000s*
Cash and cash equivalents held at end of financial year		4,443	1,234
Comprising:			
Cash		4,443	2,205
Bank overdrafts		–	(971)
Cash and cash equivalents held at end of financial year	12	4,443	1,234
Non cash financing activities	12		

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

As a result of the reverse acquisition accounting, the Consolidated Statement of Cash Flows for the year ended 30 June 2012 includes the cash flows of the OPUS Group of Companies for the full year and the cash flows of OPUS Group Limited and McPherson's Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 only. The comparatives presented are for the OPUS Group of Companies only.

Notes to the Annual Financial Report

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this Annual Financial Report (referred to as the Annual Financial Report or Financial Report) are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Financial Report is for the consolidated entity consisting of OPUS Group Limited and its subsidiaries ('the OPUS Group').

(a) Basis of preparation

This general purpose financial report has been prepared on a going concern basis. The OPUS Group is expected to have sufficient working capital to carry out its business objectives. In the event that the OPUS Group requires additional funding to support its working capital requirements, the Directors would seek appropriate external funding.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 for the purpose of fulfilling the OPUS Group's obligations under Australian Securities Exchange ('ASX') Listing Rules. OPUS Group Limited is a for profit entity for the purpose of preparing the financial statements.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period and are not likely to materially affect future periods.

Compliance with IFRS

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

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

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)*

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and is likely to affect the OPUS Group's accounting for its financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the OPUS Group's accounting for availableforsale financial assets if applicable in the future, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the OPUS Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the OPUS Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The OPUS Group has not yet decided when to adopt AASB 9.

- *AASB 13 Fair Value Measurement (effective from 1 January 2013)*

AASB 13 explains how to determine fair value when required by other accounting standards. It does not introduce new fair value measurement requirements nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards. It is expected that there will be no impact to the OPUS Group.

- *AASB 101 Presentation of Financial Statements (effective from 1 July 2012)*

AASB 101 amendments make a number of changes to the presentation of Other Comprehensive Income including presenting those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items.

- *AASB 12 Disclosure of interests in other entities (effective 1 January 2013)*

AASB 12 contains disclosure requirements for entities that have interests in subsidiaries.

There are no other standards that are not yet effective and that are expected to have a material impact on the OPUS Group in the current or future reporting periods and on foreseeable future transactions.

(b) Principles of consolidation

Subsidiaries

The Annual Financial Report incorporates the assets and liabilities of all subsidiaries of and the results of all subsidiaries for the year then ended. Subsidiaries are all entities (including special purpose entities) over which the OPUS Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than onehalf of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the OPUS Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the OPUS Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between OPUS Group entities are eliminated. Management is required to make full disclosure of intercompany transactions during the year to ensure that all transactions of this nature are eliminated at a group level. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the OPUS Group. Noncontrolling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Balance Sheet respectively.

Business combinations (excluding reverse acquisition accounting)

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Where equity instruments are issued in an acquisition they are measured at their assessed fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the OPUS Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

OPUS Group of Companies aggregation

The OPUS Group of Companies is an aggregation of four subgroups (collectively referred to as the 'OPUS Group of Companies') which were all subject to common control by a consistent group of shareholders until they were acquired by OPUS Group Limited on 30 March 2012.

The OPUS Group of Companies is deemed to be a separately identifiable reporting entity for which a Financial Report can be presented.

The four subgroups are:

- Cactus Imaging Holdings Pty Limited and its subsidiary named Cactus Imaging Pty Limited. These entities are domiciled in Australia.

- CanPrint Holdings Pty Limited and its subsidiaries named Union Offset Co. Pty Limited, CanPrint Communications Pty Limited and Integrated Print and Logistics Management Pty Limited. These entities are domiciled in Australia.

- OPUS Group NZ Holdings Limited and its subsidiaries named Omnigraphics Limited, Cactus Imaging Limited, F'Digital Limited, F'Displays Limited, Ligare Limited and C.O.S. Printers Pte Limited. These entities are domiciled in New Zealand and Singapore.

- OPUS Group (Australia) Pty Limited and its subsidiary named Ligare Pty Limited. These entities are domiciled in Australia.

Financial information related to the OPUS Group of Companies is an aggregation of the separate Financial Reports of each subgroup whilst they were subject to common control. All material transactions, balances and unrealised gains or losses between subgroups are eliminated on aggregation.

Reverse acquisition accounting

On 30 March 2012, OPUS Group Limited completed the acquisition of the OPUS Group of Companies.

In accordance with Australian Accounting Standards, this transaction has been accounted for as a reverse acquisition business combination.

In applying the requirements of AASB 3 Business Combinations to the OPUS Group:

- OPUS Group Limited is the legal parent of the OPUS Group; and

- The OPUS Group of Companies none of which are the legal parent or legal acquirer is deemed to be the accounting acquirer.

The consolidated financial information in this Annual Financial Report incorporates the assets and liabilities of all OPUS Group entities deemed to be acquired by the OPUS Group of Companies and the results of those entities for the period from which they are deemed to be acquired by the OPUS Group of Companies.

The assets and liabilities of OPUS Group Limited and its subsidiary McPherson's Printing Pty Limited are recorded at fair value whilst the assets and liabilities of the OPUS Group of Companies are maintained at book value. The impact of all transactions between entities in the OPUS Group has been eliminated in full.

The impact on equity of treating the formation of the OPUS Group as a reverse acquisition is discussed in more detail in Note 4.

AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements requires that the Consolidated Annual Financial Report prepared following a reverse acquisition shall be issued under the name of the legal parent (OPUS Group Limited), but be a continuation of the Annual Financial Report of the legal subsidiary entities (i.e. the OPUS Group of Companies).

The implications of applying AASB 3 to the above transaction on this Annual Financial Report are as follows:

Consolidated Balance Sheet

The Consolidated Balance Sheet as at 30 June 2011 is an aggregation of the OPUS Group of Companies only. The Consolidated Balance Sheet for 30 June 2012 reflects the combined position of OPUS Group Limited, McPherson's Printing Pty Limited and the OPUS Group of Companies.

Consolidated Statement of Comprehensive Income

The Consolidated Statement of Comprehensive Income for the year ended 30 June 2011 represents the aggregated result of the OPUS Group of Companies.

The Consolidated Statement of Comprehensive Income for the year ended 30 June 2012 represents the results of OPUS Group Limited and McPhersons Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 and the result of the OPUS Group of Companies for the full year.

Consolidated Statement of Changes in Equity

The Consolidated Statement of Changes in Equity for the year ended 30 June 2011 comprises the aggregated OPUS Group of Companies for the full year and excludes movements related to OPUS Group Limited and McPhersons Printing Pty Limited.

The 1 July 2010 opening retained profits and 1 July 2011 opening accumulated losses and other equity balances recognised in the consolidated entity are the aggregation of the OPUS Group of Companies before the transaction.

The loss after tax for the year ended 30 June 2012 comprises the results of the OPUS Group of Companies for the full year and the consolidated financial results of OPUS Group Limited and McPhersons Printing Pty Limited for the period 31 March 2012 to 30 June 2012.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows for the year ended 30 June 2011 comprises the aggregated cash flows of the OPUS Group of Companies for the full year and excludes cash flows related to OPUS Group Limited and McPhersons Printing Pty Limited.

The Consolidated Statement of Cash Flows for the year ended 30 June 2012 represents the cash flows of OPUS Group Limited and McPhersons Printing Pty Limited for the period from 31 March 2012 to 30 June 2012 and the cash flows of the OPUS Group of Companies for the full year.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Statements of each of the OPUS Group's entities are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The Financial Report is presented in Australian dollars being OPUS Group's functional and presentation currency.

The functional currency of New Zealand based operations is New Zealand Dollars and the functional currency of C.O.S. Printers is Singapore Dollars. These entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve.

(ii) Transactions and balances

Transactions in foreign currencies are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to Australian Dollars ('$AUD') at exchange rates at the reporting date. The income and expenses of foreign operations are translated to $AUD at the average exchange rates between reporting dates as an approximation of the spot rate on each of the transaction dates. Foreign currency differences are recognised in equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount of the reserve is transferred to profit and loss.

(d) Revenue recognition

Sales revenue comprises revenue earned (net of returns, discounts, allowances, duties and taxes) from the provision of products or services to entities outside the OPUS Group.

Sale of product and goods

Sales revenue is recognised when the goods are dispatched, or when title passes to the customer, at the fair value of the consideration received or receivable. OPUS Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Provision of services

Sales revenue is recognised based on the stage of completion of the service, contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. Where the stage of completion cannot be estimated reliably, revenue is only recognised to the extent of the expenses recognised that are recoverable.

Other income

Other income, including dividends is recognised when the income is received or becomes receivable.

Government grants

An unconditional government grant is recognised when the grant becomes receivable. Conditional government grants are recognised when there is reasonable assurance that they will be received and that the OPUS Group will comply with the conditions associated with the grant.

Grants that compensate for expenses incurred are recognised in profit and loss on a systematic basis in the same period in which the expenses are recognised. Grants that compensate for the cost of an asset are recognised in profit and loss on a systematic basis over the useful life of the asset.

Agency and commission arrangements

When presenting revenues in the statement of comprehensive income consideration is given to whether the OPUS Group is operating as an agent (earning a fee or commission in return for arranging the provision of goods or services on behalf of a principal) or a principal (acting on its own account when contracting with customers for the supply of goods or services in return for consideration). Whether an entity is acting as a principal or agent is a matter of facts and circumstances.

In an agency relationship the gross cash inflows include amounts collected on behalf of the principal which are not revenue. In this instance the net amount retained can only be presented as revenue.

When the transaction is such that the Group is acting as the principal to the arrangement, revenue is recognised based on the gross amount received or receivable under the sales contract.

Shipping and handling charges

The OPUS Group may sell items either FOB (free on board) or CIF (cost, insurance, freight). CIF charges is included as part of revenue. The cost of insurance and freight is included as revenue unless the OPUS Group is only acting as an agent in respect of these charges. This may be the case where there is no profit element in the insurance and freight charged to the customers, so that these charges are merely the reimbursement of expenses. In this situation any consideration attributable to these elements is netted off against the carriage costs (freight etc.) in the income statement. However where the OPUS Group is able to determine the additional margin on the CIF charges, revenue includes the full CIF selling price, as the recharge of the CIF elements is effectively a revenue-earning part of the transaction.

Volume, settlement and general discounting

The OPUS Group may offer customer discounts for either achieving a minimum threshold of purchases, for prompt settlement or a general discount for a specified arrangement. The Group's revenue accounting policy requires the amount of revenue recognised under the transaction to be reduced by the amount of the discount at the time of the sale. At times this may require an estimation of the future discount or rebate which may be earned by the customer.

(e) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, gains on hedging instruments that are recognised in profit and loss and gains on other derivative contracts (e.g. ineffective hedges). Finance income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses, losses on disposal of available for sale financial assets, losses recognised on hedging instruments that are recognised in profit and loss and losses on other derivative contracts (e.g. ineffective hedges).

(f) Investments in associates

Associates are all entities over which the OPUS Group has significant influence but not control.

The OPUS Group has a $33^{1}/_{3}\%$ shareholding in an associate company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

Details relating to shareholding in this associate are set out in Note 17.

The OPUS Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the OPUS Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the OPUS Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary difference and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where there is a legally enforceable right to offset and the intention is to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Tax consolidation

OPUS Group Limited and its whollyowned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. OPUS Group Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, OPUS Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate OPUS Group Limited for any current tax payable assumed and are compensated by OPUS Group Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to OPUS Group Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. OPUS Group Limited may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the tax consolidated group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(i) Goods and services tax (GST) and other similar taxes

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the relevant taxation authority are presented as operating cash flows.

(j) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor substantially retains all such risks and benefits. Where a non-current asset is acquired by means of a finance lease, the lower of the fair value of leased property and the present value of the minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight-line basis over its expected economic life. A corresponding liability is also established and each lease payment is allocated between the principal component and interest expense.

Operating lease payments are charged to the income statement on a straight-line basis over the period of the lease. Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(k) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses are recognised in profit and loss.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

For assets other than goodwill, impairment losses recognised in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in a debtor credit rating) the reversal of the impairment is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised.

A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(m) Goodwill

Recognition and nature

Goodwill represents the excess of the cost of an acquisition over the fair value of the OPUS Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisition of businesses is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Impairment of goodwill

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. An impairment loss in respect of goodwill cannot be reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(n) Cash and cash equivalents

For purposes of the cash flow statements, cash includes deposits at call, overdrafts and short term deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts. Cash and cash equivalents generally have a three month or shorter term.

(o) Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off.

A provision for impairment of trade receivables is established when there is objective evidence that the OPUS Group will not be able to collect all amounts due according to the original terms of receivables.

(p) Inventories

Inventories (including work in progress) are valued at the lower of cost or net realisable value. Cost of produced inventories comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated based on the basis of normal operating capacity.

Costs of purchased inventory are determined after deducting rebates and discounts.

Cost of work in progress and finished manufactured products includes materials, labour and an appropriate proportion of factory overhead expenditure.

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

(q) Investments and other financial assets

The OPUS Group classifies its financials assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, reevaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

Held-to-maturity investments

Held-to-maturity investments are nonderivative financial assets with fixed or determinable payments and fixed maturities that the OPUS Group's management has the positive intention and ability to hold to maturity. If the OPUS Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in noncurrent assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are nonderivatives that are either designated in this category or not classified in any of the other categories. They are included in noncurrent assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the OPUS Group provides goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Financial assets – reclassification

The OPUS Group may choose to reclassify a nonderivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the OPUS Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the OPUS Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held- to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on tradedate (the date on which the OPUS Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the OPUS Group has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available- for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income (equity). Changes in the fair value of other monetary and nonmonetary securities classified as available-for-sale are recognised in other comprehensive income (equity).

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the OPUS Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the OPUS Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(u) Property, plant and equipment

Cost and recognition

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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 OPUS Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation is recognised in profit and loss on either a straight line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated lives used for depreciation purposes are generally as follows:

Leasehold factory buildings (Singapore)	31 years
Plant and equipment	2 to 20 years
Office furniture and equipment	2 to 7 years
Motor vehicles	3 to 8 years
Leasehold improvements	5 to 20 years
Computer equipment	1 to 7 years

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.

Leased assets

Leased assets in terms of which the OPUS Group assumes substantially all of the risks and rewards of ownership are classified as finance lease assets. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis or diminishing value basis over the specific useful life of the developed software.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

(v) Other Intangible assets

Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives.

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

(w) Derivatives and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The full fair value of a hedging derivative is classified as a noncurrent asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The OPUS Group designates its derivatives as hedges of highly probable forecast transactions (cash flow hedges).The OPUS Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The OPUS Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

(x) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within sales. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(y) Cash flow hedges that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement and are included in other income, other expenses or finance costs.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(z) Provisions

Provisions are recognised when the OPUS Group has a present legal or constructive obligation as a result of past events it is probable that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(aa) Performance and financial guarantees

Performance guarantees are considered to be insurance arrangements and are accounted for as such. In this respect performance guarantees are treated as a contingent liability until such a time it becomes probable that the OPUS Group will be required to make a payment under the guarantee.

In respect of financial guarantee contracts, where the guarantor has previously asserted explicitly that is regards its financial guarantee contracts as insurance contracts and has previously accounted for them as such, then the guarantor has an accounting policy choice on a contract by contract basis. This accounting policy choice allows the guarantor to account for the financial guarantee as an insurance contract under AASB 4 Insurance Contracts or otherwise to recognise financial guarantee contracts as a financial liability at the time the guarantee is issued in accordance with AASB 139 Financial Instruments: Recognition and Measurement.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

All financial guarantees are intra-group and eliminated on consolidation.

(ab) Employee benefits

Short term obligations

Liabilities for wages and salaries, including annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for an amount expected to be paid under short term cash bonus or profit sharing plans if there is a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other short term employee benefit obligations are presented as payables.

Obligations for contributions to defined contribution plans are recognised as an expense in profit and loss as they are due.

Other long term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan has been developed and a valid expectation has been raised with those employees affected, that the termination will be carried out. The liabilities for termination benefits are recognised in other creditors unless timing of the payment is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits related to an acquired entity or operation that arises as a consequence of acquisitions are recognised as at the date of acquisition if, at or before acquisition date, the main features of the terminations were planned and a valid expectation had been raised with those employees affected, that the terminations would be carried out and this is supported by a detailed plan.

(ac) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any OPUS Group company purchases the company's equity instruments, for example as the result of a share buy back or a share based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners as treasury shares until the shares are cancelled or re-issued. Where such ordinary shares are subsequently re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners.

(ad) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ae) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Impact of reverse acquisition accounting on earnings per share

As the acquisition of the OPUS Group of Companies by OPUS Group Limited was accounted for as a reverse acquisition the weighted average number of shares outstanding for the period in which the combination took place is based on the weighted average number of shares of the legal subsidiary that are outstanding from the beginning of the period to the date of the combination. That number of shares is multiplied by the exchange ratio established in the acquisition agreement and added to the actual number of the shares of the legal parent entity that are outstanding in the period following the transaction.

Comparative earnings per share information is based on the profit of the legal subsidiary and the legal subsidiary's historical weighted average number of shares that are outstanding, multiplied by the exchange ratio established in the acquisition agreement.

(af) Rounding of amounts

OPUS Group Limited is a company of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission. This Class Order relates to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ag) Critical accounting estimates and assumptions

The OPUS Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated recoverable amount of cash-generating units

The OPUS Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 1(m). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 20 for details of these assumptions.

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Balance Sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the OPUS Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. Based on current forecasts the recognised deferred tax assets will be fully utilised. To the extent that the future estimates differ to what actually eventuates, the ability of the OPUS Group to utilise tax losses may differ.

Assets and liabilities acquired in a business combination

In a business combination the assets and liabilities acquired are recognised at fair value. Fair value is determined based on a number of assumptions related to each specific asset and liability. Management use their knowledge of the industry and experience to determine the value of assets and liabilities acquired.

2. (LOSS) PER SHARE

	Consolidated	
	30 June 2012	**30 June 2011**
Basic (loss) per share (cents ¢)	(4.47)¢	(14.47)¢
Diluted (loss) per share (cents ¢)	(4.47)¢	(14.70)¢

	Consolidated	
	30 June 2012	30 June 2011
	AUD$'000s	*AUD$'000s*
(Loss) used in calculating basic and diluted earnings per share	(1,794)	(5,229)

	Consolidated	
	30 June 2012	30 June 2011
	'000s	*'000s*
Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted (loss) per share	40,102	35,577

Refer to Note 1(ae) for the accounting policy which outlines the impact of the reverse acquisition accounting applied in this Annual Financial Report to the (loss) per share calculations above.

3. FINANCIAL RISK MANAGEMENT

The OPUS Group's activities expose it to financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. In order to minimise any adverse effects on the financial performance of the OPUS Group, derivative financial instruments, such as interest rate hedge contracts are used to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes and not as trading or other speculative instruments.

The OPUS Group holds the following financial instruments:

30 June 2012	Loans and receivables	Other amortised cost	Derivatives used for hedge purposes	Total carrying amount	Fair value
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Assets					
Trade and other receivables	16,088	–	–	16,088	16,088
Loans to Shareholder	1,070	–	–	1,070	1,070
Cash	4,443	–	–	4,443	4,443
Total financial assets	21,601	–	–	21,601	21,601
Liabilities					
Loans and borrowings	–	58,100	–	58,100	58,100
Finance leases	–	3,005	–	3,005	3,005
Cash flow hedges	–	–	543	543	543
Total non-current liabilities	–	61,105	543	61,648	61,648
Loans and borrowings	–	5,400	–	5,400	5,400
Finance leases	–	776	–	776	776
Cash flow hedges	–	–	1,253	1,253	1,253
Trade and other payables	–	17,145	–	17,145	17,145
Total current liabilities	–	23,321	1,253	24,574	24,574
Total financial liabilities	–	84,426	1,796	86,222	86,222

30 June 2011	Loans and receivables	Other amortised cost	Derivatives used for hedge purposes	Total carrying amount	Fair value
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Assets					
Trade and other receivables	10,941	–	–	10,941	10,941
Loans to shareholder	1,394	–	–	1,394	1,394
Cash	2,205	–	–	2,205	2,205
Total financial assets	14,540	–	–	14,540	14,540
Liabilities					
Finance leases	–	127	–	127	127
Total non–current liabilities	–	127	–	127	127
Bank overdraft	–	971	–	971	971
Loans and borrowings	–	55,432	–	55,432	55,432
Finance Leases	–	59	–	59	59
Cash flow hedges	–	–	93	93	93
Trade and other payables	–	11,760	–	11,760	11,760
Total current liabilities	–	68,222	93	68,315	68,315
Total financial liabilities	–	68,349	93	68,442	68,442

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Derivative financial instruments in the above table, which are used purely for hedging purposes, are measured and recognised at fair value and are included in level 2 of the fair value measurement hierarchy.

The fair value of the derivative financial instruments is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows and the fair value of forward exchange and option contracts is determined using forward exchange market rates at the end of the reporting period.

(a) Foreign exchange risk

The OPUS Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the functional currencies applicable to each entity. The currencies in which transactions are primarily denominated are Australian Dollars ('AUD$'), New Zealand Dollars ('NZD$') Singapore Dollars ('SGD$') and US Dollars ('US$'). Management evaluates their foreign currency risk using cash flow forecasts with the objective of keeping its exposure to a minimum. The OPUS Group may in certain circumstances use forward exchange contracts to hedge its foreign currency risk. When used, the contracts would normally have maturities or less than one year at reporting date. The OPUS Group does not hold or issue financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

As at 30 June 2012, the exposure to trade and other payables denominated in USD totalled AUD$124,000, GBP totalled AUD$243,000 and EUR totalled AUD$nil. At 30 June 2011, the exposure to trade and other payables denominated in USD totalled AUD$108,000, GBP totalled AUD$nil and EUR totalled AUD$nil.

Management have assessed the remaining exposure to currencies is not significant.

(b) Interest rate risk

Interest rate risk arises both where payments of floating interest are made and where the OPUS Group has fixed interest rate borrowings compared to the market. The OPUS Group monitors the current market rates and evaluates on an ongoing basis whether to borrow at fixed or floating rates with the objective of minimising interest payable.

The OPUS Group has hedged exposure to changes in interest rate on a percentage of its borrowings in a fixed rate basis, taking into account assets with exposure to changes in interest rates, by entering into interest rate swaps.

(c) Credit risk

Credit risk arises on financial assets where customers are given credit terms. In order to minimise credit exposure, management has a credit policy in place under which each new customer is individually analysed for credit worthiness before services are offered. The OPUS Group's exposure to credit risk is mainly influences by its customer base. Credit risk is measured by estimating losses incurred at each reporting date based on historical experience.

The carrying amount of financial assets represents the OPUS Group's maximum credit exposure.

The Group's maximum exposure to credit risk for trade receivables by geographic regions is as follows:

	Carrying Amount	
	30 Jun 2012	**30 Jun 2011**
	AUD$'000s	*AUD$'000s*
New Zealand	1,103	1,102
Australia	13,359	8,219
Singapore	1,905	1,861
Trade receivables (gross)	16,367	11,182
Provision against receivable	(279)	(241)
Net trade receivables	16,088	10,941

The status of trade receivables at the reporting date is as follows:

	30 Jun 2012	**30 Jun 2011**
	AUD$'000s	*AUD$'000s*
Neither past due, not impaired	10,014	7,232
Current		
Past due, but not impaired		
0-30 days over standard terms	4,339	2,202
31-60 days over standard terms	1,081	928
61+ days over standard terms	654	579
Net trade receivables	16,088	10,941

As at 30 June 2012 the provision against trade receivables is primarily related to balances which are 61+ days over standard terms (2011: $14,000 31-60 days and $227,000 61+ days).

(d) Liquidity risk

Liquidity risk represents the OPUS Group's ability to meet its contractual obligations. The OPUS Group evaluates its liquidity requirements on an ongoing basis using cash flow forecasting. In general, the OPUS Group generates sufficient cash flows from its operating activities and holds and retains cash to meet its obligations arising from its financial liabilities.

The following table sets out the contractual cash flows for all financial liabilities at the balance sheet date:

30 June 2012	**Statement of financial position**	**Contractual cash flows**	**0-1 years**	**1-5 years**	**More than 5 years**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Finance lease liabilities	3,781	4,473	1,045	3,428	–
Secured loans	63,500	78,473	10,035	68,438	–
Cash flow hedges	1,796	1,913	549	1,364	–
Trade and other payables	17,145	17,145	17,145	–	–
Total financial liabilities	86,222	102,004	28,774	73,230	–
30 June 2011					
Finance lease liabilities	186	292	100	192	–
Secured loans	55,432	55,432	55,432	–	–
Cash flow hedges	93	93	93	–	–
Trade and other payables	11,760	11,760	11,760	–	–
Bank overdraft	971	971	971	–	–
Total financial liabilities	68,442	68,548	68,356	192	–

(e) Capital Management

The OPUS Group's capital includes share capital, reserves and retained earnings.

The OPUS Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the OPUS Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The OPUS Group is not subject to any externally imposed capital requirements.

The allocation of capital between its specific business segments' operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operation.

The OPUS Group's policies in respect of capital management and allocation are reviewed regularly by the Directors. There have been no material changes in the OPUS Group's management of capital during the year.

Asset and Capital Structure

	30 Jun 2012	30 Jun 2011
	AUD$'000s	*AUD$'000s*
Debt:		
Interest bearing loans and borrowings	67,281	55,618
Cash and cash equivalents	(4,443)	(1,234)
Net debt*	62,838	54,384
Total equity	34,548	22,086
Total capital employed	97,386	76,470
Gearing (net debt/net debt + equity)	65%	71%

* Net debt excludes off balance sheet bank guarantees and letters of credit.

Net debt (interest bearing liabilities less net cash) increased by $8,454,000 to $62,838,000 primarily as a result of the merger.

Over the next year, OPUS Group management's focus will be on reducing the OPUS Group's gearing and the further integration of the merged businesses. The OPUS Group has $4,443,000 in cash at 30 June 2012 and a working capital facility of $4,000,000.

During June 2012, $1,500,000 was repaid voluntarily by the OPUS Group. The first scheduled debt repayment under the debt facility is due 30 September 2012.

The OPUS Group has hedged the interest payments on $48,800,000 of the $63,500,000 Commonwealth Bank of Australia Limited ('CBA') debt owing at 30 June 2012 as required by the terms of the Debt Facility Agreement.

The external debt disclosed as at 30 June 2011 relates to a debt facility and former shareholder loan. These amounts were refinanced during the year.

(f) Sensitivity Analysis

In managing interest rate and currency risks the OPUS Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term; however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 30 June 2012 it is estimated that an increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $155,000 (2011: $350,000).

Given that OPUS Group has limited exposure to financial assets and financial liabilities denominated in currencies other than their own functional currencies, there is no material sensitivity to foreign exchange fluctuation.

4. Business combinations

(a) Acquisition of the OPUS Group of Companies (reverse acquisition)

On 18 November 2011, McPherson's Limited (the former ultimate holding company of OPUS Group Limited) announced that MPG Printing Limited (subsequently renamed OPUS Group Limited) had entered into a conditional agreement to acquire the OPUS Group of Companies.

OPUS Group Limited was demerged from McPherson's Limited on 31 January 2012 along with its subsidiary McPherson's Printing Pty Limited in preparation for the above acquisition.

The acquisition was implemented by the transfer to OPUS Group Limited of all of the issued shares in the capital of each entity comprising the OPUS Group of Companies in consideration for a cash payment of $12,000,000 and the issue of 35,576,563 ordinary shares to the OPUS Group of Companies shareholders.

On 21 March 2012 a general meeting was held which approved this transaction and the transaction was completed on 30 March 2012.

The deemed acquisition date for the transaction is 30 March 2012.

Under the terms of the transaction OPUS Group Limited became the legal parent company of McPhersons Printing Pty Limited and the OPUS Group of Companies.

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a business combination, one of the entities must be deemed to be the accounting acquirer. Given the ongoing Board and management composition and other relevant factors, the OPUS Group of Companies was determined to be the acquirer for accounting purposes. This is known as a reverse acquisition.

The implication of the reverse acquisition is:

- Although the Financial Report is issued under the name of OPUS Group Limited (the legal parent company), the OPUS Group of Companies are deemed to be the parent company for accounting purposes;

- The 30 June 2012 financial information represents the results of the OPUS Group of Companies for the period to 30 March 2012 and the consolidated financial information of the OPUS Group of Companies, OPUS Group Limited and McPherson's Printing Pty Limited for the period 31 March 2012 to 30 June 2012;

- The 30 June 2011 comparative information is an aggregation of the OPUS Group of Companies. The OPUS Group of Companies comparative information is disclosed as they are deemed to be the accounting acquirer; and

- Under the accounting guidance the consideration that the OPUS Group of Companies is deemed to have paid for OPUS Group Limited and McPherson's Printing Pty Limited is the market value of OPUS Group Limited's equity at the date of the transaction which was $26,777,000. This consideration has been allocated to the fair value of OPUS Group Limited and McPherson's Printing Pty Limited's identifiable assets and liabilities and contingent liabilities.

Under Australian Accounting Standards, the OPUS Group has 12 months from the date of acquisition in which to complete its assessment of the fair value of the assets and liabilities acquired.

Given the date of the transaction, the OPUS Group has provisionally recognised the fair value of the identifiable assets and liabilities acquired in the transaction based upon the best financial information available at the acquisition date. The fair values are provisional due to the complexity of the transaction. At this point in time the OPUS Group is still in the process of the finalising the tax re-setting exercise which may have an impact on the provisional acquisition accounting.

The consolidated fair value of the identifiable assets and liabilities of OPUS Group Limited and its subsidiary McPherson's Printing Pty Limited as of the date of acquisition were:

	Acquisition date fair value
	AUD$'000s
Cash and cash equivalents	4,276
Trade and other receivables	6,448
Inventories	3,905
Other current assets	633
Property, plant and equipment	19,670
Investment in associates	1,252
Deferred tax asset	2,070
Goodwill	2,445
Total assets	40,699
Trade and other payables	7,502
Income tax payable	402
Interest bearing debt and finance leases	3,244
Employee benefits	2,774
Total liabilities	13,922
Identifiable net assets	26,777
Deemed equity consideration	26,777
Total consideration	26,777
The cash outflow was as follows:	
Net cash acquired	4,276
Return of capital to OPUS Group of Companies shareholders – Note 30	(12,000)
Net consolidated cash (outflow)	(7,724)

The fair value of trade and other receivables acquired approximated its carrying amount at the acquisition date.

Transaction costs related to the above transaction reflected in the Statement of Comprehensive Income are not material as all were incurred pre-transaction or by the former parent entity of OPUS Group Limited being McPherson's Limited. The acquired entities contributed revenue of $10,110,000 and a $2,250,000 loss after tax to the OPUS Group result for the year ended 30 June 2012.

Had the above transaction occurred at the beginning of the reporting period, the Consolidated Statement of Comprehensive Income would have presented revenue of $133,009,000 and a loss after tax of $896,000.

The goodwill recognised on acquisition represented the excess consideration paid above the fair value of the assets acquired. Goodwill is not tax deductible. Goodwill relates to the synergies which result from the transaction. These benefits include the following:

- The increased size of the OPUS Group will allow for improved access to capital;
- Cost savings may eventuate from the elimination of duplicated administration structures, improved procurement power and shared service functions;
- The merger achieves diversification across market sectors and regions which may reduce risk and volatility;
- The combined group may be able to optimise productive capacity by consolidating production into the most efficient available facility within the OPUS Group's network; and
- The merger expands the market reach of the OPUS Group and may maximise sales opportunities. The transaction provides access to new customers and markets for each of the OPUS Group's businesses.

No other separately identifiable intangibles had been identified as part of the acquisition.

(b) Acquisition of C.O.S. Printers Pte Limited

On 1 September 2010, OPUS Group NZ Holdings Limited acquired 100% of the share capital in C.O.S. Printers Pte Limited. Total consideration of $28,244,000 was paid for the acquisition of 100% of the share capital. The carrying value of the acquired assets and liabilities is stated at their fair value. The acquisition has been accounted for using the purchase method. The fair values of the identifiable assets and liabilities of C.O.S. Printers Pte Limited as of the date of acquisition were:

	Acquisition date fair value
	AUD$'000s
Cash and cash equivalents	1,792
Trade and other receivables	1,950
Inventories	613
Property, plant and equipment	11,530
Goodwill	15,338
Total assets	31,223
Trade and other payables	985
Provisions	1,994
Total liabilities	2,979
Identifiable net assets	28,244
Deemed equity consideration	
Cash paid	25,326
Consideration paid, advanced back to the OPUS Group of Companies	2,918
Total consideration	28,244
The cash outflow was as follows:	
Total cash consideration (outflow)	(28,244)
Net cash acquired	1,792
Net consolidated cash (outflow)	(26,452)

The goodwill recognised on acquisition represents the excess consideration paid above the fair value of the assets acquired. No other separately identifiable intangibles had been identified as part of the acquisition.

5. FIRST-TIME ADOPTION OF IFRS

Transition to Australian Accounting Standards

For all periods up to and including the year ended 30 June 2011, the OPUS Group prepared financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand equivalents to International Financial Reporting Standards). These financial statements for the year ended 30 June 2012 are the first the OPUS Group is required to prepare in accordance with Australian Accounting Standards.

As the previous financial statements were prepared as pro-forma financial statements representing the aggregation of four OPUS subgroups the previous financial statements did not state compliance with International Financial Reporting Standards (IFRS).

The OPUS Group has prepared financial statements that comply with Australian Accounting Standards applicable for the periods beginning on or after 1 July 2011, and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the OPUS Group has started from an opening balance sheet as at 1 July 2010, the OPUS Group of Companies' date of transition to Australian Accounting Standards, and made those changes in accounting policies and other restatements required by AASB 1 'First-time adoption of Australian Accounting Standards'.

This note explains the principal adjustments made by the OPUS Group in restating its balance sheet as at 1 July 2010 and its previously published financial statements for the year ended 30 June 2011.

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply Australian Accounting Standards retrospectively. The OPUS Group has taken the following exemptions:

- AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations occurred before the date of transition to Australian Accounting Standards.
- All other exemptions had no material impact to the Group accounts or were not relevant.

Explanations of material adjustments to the primary statements

There are no material differences between the Consolidated Cash Flow Statement, Consolidated Statement of Comprehensive Income and the Consolidated Balance Sheet presented under Australian Accounting Standards and the same statements presented under New Zealand equivalents to International Financial Reporting Standards. No restatements were required.

6. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Operating Officer (COO) of the OPUS Group.

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker as defined above that are used to make strategic decisions.

These individuals review the business primarily from a products and service offering perspective and have identified two distinct operating segments being Publishing and Outdoor Media.

Publishing

The Publishing division provides digital and offset printing, and other ancillary business services including digital asset management, content management, back catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing.

The division has short run, medium and long run production capabilities and in-house finishing.

The Publishing division also has a business services model which enables the efficient and seamless content creation to consumption for government departments and agencies. This includes webhosting, electronic fulfilment, printing on demand and digital asset management. These capabilities are being extended to the commercial sector as well.

Outdoor Media

The Outdoor Media division produces and distributes outdoor advertising material and corporate signage for the outdoor advertising industry and corporate signage market. The majority of the work performed by the Outdoor Media division consists of billboards and posters and requires a rapid turnaround to meet strict advertising campaign deadlines.

(b) Segment revenue

Sales between segments are carried out on an arm's length basis and are eliminated on consolidation. The revenue from external parties reported is measured in a manner consistent with that in the Consolidated Statement of Comprehensive Income although it is presented on an 'Always Owned' basis as further explained below.

(c) Adjusted EBITDA as monitored by the Board and Senior Management

The chief operating decision makers assess the performance of the operating segments based on a measure of Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA'). Adjusted EBITDA is a non-IFRS measure of financial performance and is not a principle contemplated by Australian Accounting Standards. This measurement basis excludes the effects of certain items from the operating segments such as restructuring costs, material merger transaction costs, legal expenses and goodwill impairment where these items are not deemed to be part of the underlying performance of the segment. These costs form part of the "Items excluded from Adjusted EBITDA" in the table below. Adjusted EBITDA is presented on an 'Always Owned' basis where the full year results of each legal entity are included regardless of when they joined the OPUS Group during the year. This measure is consistent with the presentation of financial information internally for management accounts purposes.

	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Adjusted EBITDA	20,600	15,821
Adjusted for: Pre-acquisition trading for entities acquired during the year	(4,434)	(893)
Attributable Adjusted EBITDA	16,166	14,928
Depreciation, amortisation and impairment	(7,313)	(5,684)
Items excluded from Adjusted EBITDA	(4,594)	(9,348)
Finance revenue	78	65
Finance costs	(5,178)	(5,612)
(Loss) before taxation per the Statement of Comprehensive Income	(841)	(5,651)

The 2012 Adjusted EBITDA includes 9 months of trading for McPherson's Printing Pty Limited which is excluded from the reported result as being pre-acquisition trading. The 2011 comparative includes 2 months of trading for C.O.S. Printers Pte Limited which is excluded from the reported result as being pre-acquisition trading. The 2011 reported Adjusted EBITDA basis does not include the trading of the McPherson's Printing Pty Limited business for the financial year ended 30 June 2011.

Interest income and expenditure is not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the OPUS Group.

(d) Segment Information

30 June 2012	**Publishing***	**Outdoor Media**	**Other**	**Inter-Segment Eliminations**	**Total**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total external revenue	112,243	20,766	–	–	133,009
Inter segment revenue	9	–	–	(9)	–
Operating expenses	(92,383)	(17,148)	(2,887)	9	(112,409)
Adjusted EBITDA	19,869	3,618	(2,887)	–	20,600

* Presented on an 'Always Owned' basis and includes the pre-acquisition trading of McPherson's Printing Pty Limited for the period 1 July 2011 to 30 March 2012.

Total segment revenue is reconciled to total revenue per the Consolidated Statement of Comprehensive Income as follows:

	30 June 2012
	AUD$'000s
Segment revenue (Revenue on an 'Always Owned' basis)	133,009
Pre-acquisition revenue	(36,941)
Total revenue per the Consolidated Statement of Comprehensive Income	96,068

30 June 2011	**Publishing****	**Outdoor Media**	**Other**	**Inter-segment Eliminations**	**Total**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Total external revenue	61,923	19,706	–	–	81,629
Inter-segment revenue	8	–	–	(8)	–
Operating expenses	(47,436)	(15,833)	(2,547)	8	(65,808)
Adjusted EBITDA	14,495	3,873	(2,547)	–	15,821

** Presented on an 'Always Owned' basis and includes the pre-acquisition trading of C.O.S. Printers Pte Limited for the period 1 July 2010 to 31 August 2010 but excludes the result of McPherson's Printing Pty Limited for the 2011 financial year.

Total segment revenue is reconciled to total revenue per the Consolidated Statement of Comprehensive Income as follows:

	30 June 2011
	AUD$'000s
Segment revenue (Revenue on an 'Always Owned' basis)	81,629
Pre-acquisition revenue	(1,979)
Total revenue per the Consolidated Statement of Comprehensive Income	79,650

(e) Inter-segment transactions

The inter-segment eliminations column above adjusts for the impact of internal transactions and the 'Other' column represents unallocated OPUS Group and Corporate costs. Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an 'arms-length' basis and are eliminated on consolidation.

(f) Segment assets and liabilities

The amounts provided to the chief operating decision maker with respect to total assets and total liabilities are not reported by operating segment.

(g) Change in operating segments reported

Following the successful merger transaction and listing of the OPUS Group, management is focused on providing a regional service offering and specific initiatives to deliver the synergies from being a larger group. Key OPUS Group operational initiatives include:

- Leveraging of group wide purchase volumes to deliver cost advantages;
- Establishing cross site production planning; and
- Sharing resources and best practices across the OPUS Group.

In order to drive management focus away from a focus on autonomous business units, the OPUS Group has changed and improved its reporting structures such that all businesses are examined in the two distinct segments identified above being Publishing and Outdoor Media. Senior management teams have also been restructured to facilitate this group focused approach.

Prior year comparatives have been restated to reflect this change in operating segments.

7. OTHER INCOME

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Scrap recoveries	376	–
Other	228	340
Total other income	604	340

8. EMPLOYEE BENEFITS EXPENSE

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Salaries and wages	30,204	24,437
Superannuation	1,777	1,560
Total employee benefits expense per the Consolidated Statement of Comprehensive Income	31,981	25,997

OPUS Group Limited and its controlled entities contribute to a number of superannuation funds. The funds provide benefits on a cash accumulation basis for employees or their dependants on resignation, retirement, total and permanent disablement or death. Benefits are based on the contributions and net income thereon held by the funds on behalf of their members. The level of these benefits varies according to the fund to which the employee belongs. OPUS Group contributions to all superannuation funds are legally enforceable. Contributions may be made by the member in addition to OPUS Group contributions, as specified by the rules of the fund. OPUS Group contributions to employee superannuation funds during the year totalled $1,777,000 (2011: $1,560,000).

9. EXPENSES

Profit before income tax includes the following items which require specific disclosure:

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Bad debts expense	111	95
Minimum lease payments related to operating leases	1,257	198
Net loss on disposal of property, plant and equipment	23	3
Impairment of property, plant and equipment – *Note 19a*	114	–
Impairment of goodwill – *Note 20c*	–	4,839
Realised foreign exchange loss	30	–

10. INCOME TAX

(a) Income tax expense

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Current tax expense	1,519	176
Deferred tax (benefit)	(496)	(613)
(Over)/under provision in prior years	(70)	15
Total income tax expense/(benefit)	953	(422)
Deferred income tax (benefit) included in income tax expense comprises:		
Increase in deferred tax assets – *Note 21*	(427)	(543)
Decrease in deferred tax liabilities – *Note 21*	(69)	(70)
	(496)	(613)

(b) Reconciliation of current income tax expense/(benefit)

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Operating (loss) before income tax	(841)	(5,651)
Income tax using the OPUS Group's domestic rate of tax (30%)	(252)	(1,695)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Restructure and transaction costs	–	1,488
Share of net loss of associate	4	–
Debt forgiveness	(8)	–
Tax exempt income	(20)	(20)
Current year tax losses not recognised	633	–
Tax rate difference in overseas entities	(380)	(210)
De-recognition of New Zealand tax losses previously recognised	1,149	–
(Over)/under provision in prior years	(70)	15
Other	(103)	–
Total income tax expense/(benefit)	953	(422)

(c) Tax benefit relating to items of other comprehensive income

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Cash flow hedges – *Note 21*	380	–

(d) Tax losses

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Unused tax losses for which no deferred tax asset has been recognised	6,132	–
Potential tax benefit @ 28% *	1,717	–

* New Zealand jurisdiction tax rate

Tax losses for which no deferred tax asset has been recognised relate to the New Zealand tax jurisdiction.

The 2012 tax expense included a $1,149,000 expensing of New Zealand tax balances as at 30 June 2012. Given the recent changes to the OPUS Group structure there is uncertainty around the ability to utilise the New Zealand Group tax losses in the immediate future.

(e) Franking credits

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Franking credits available for subsequent financial years based on a tax rate of 30%	23,742	18,271

The above amounts represent the balance of the Australian franking account as at the end of the financial year adjusted for franking credits which are expected to arise from the payment of current tax liabilities.

11. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	30 June 2012	**30 June 2011***
	AUD$	*AUD$*
Audit services		
PricewaterhouseCoopers – Audit and review of financial reports and other audit work under the Corporations Act 2011	182,860	–
Non PricewaterhouseCoopers audit and review of financial reports	112,624	186,000
Other services		
PricewaterhouseCoopers – non-audit	30,500	–
Non PricewaterhouseCoopers – non-audit	210,245	106,000
Total remuneration for audit services and other services	536,229	292,000

* OPUS Group Limited was not subject to audit in the year ended 30 June 2011. The 30 June 2011 fees disclosed related to those payable to KPMG for the OPUS Group of Companies audit. During the year ended 30 June 2012, KPMG also completed the jurisdictional audits for the New Zealand and Singapore businesses within the OPUS Group.

12. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Cash on hand	4,443	2,205
The above figures are reconciled to cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows as follows:		
Balances as above	4,443	2,205
Less: bank overdrafts	–	(971)
Balances per the Consolidated Statement of Cash Flows	4,443	1,234
Reconciliation of net cash provided by operating activities to operating (loss) after income tax:		
Operating (loss) after income tax	(1,794)	(5,229)
Depreciation, amortisation and impairment	7,313	5,684
Impairment of goodwill	–	4,839
Write off of borrowing costs	–	1,203
Cash flow hedges	515	(93)
Foreign exchange losses/(gains)	30	(563)
Other	(23)	–
Operating assets and liabilities		
Increase/(decrease) in trade and other payables	(2,459)	(663)
Increase/(decrease) in employee entitlements	(330)	(250)
Increase/(decrease) in tax payable	1,136	(2,151)
(Increase)/decrease in deferred tax balances	(1,599)	422
(Increase)/decrease in receivables	1,606	402
(Increase)/decrease in inventories	301	(282)
Net cash inflow provided by operating activities	4,696	3,319

Non-cash financing activities

Refer to Note 4 for details of the non-cash financing of the acquisition of the OPUS Group of Companies effected through the issue of OPUS Group Limited share capital.

13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Trade receivables	16,367	11,182
Less: Allowance for doubtful debts	(279)	(241)
Total trade and other receivables	16,088	10,941

14. CURRENT ASSETS – INVENTORIES

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Raw materials	4,724	2,595
Spare parts	575	35
Work in progress	1,560	860
Finished goods	674	381
Less: Provision for inventory obsolescence	(263)	(222)
Total inventories	7,270	3,649

15. CURRENT ASSETS – OTHER

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Sundry debtors and prepayments	1,630	1,250
Loans to shareholders	1,070	1,394
Total other current assets	2,700	2,644

16. CURRENT ASSETS – HELD FOR SALE ASSETS

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Assets held for sale at balance date	98	15

Assets held for sale at 30 June 2012 and 30 June 2011 are individual assets deemed to be non-core to the business and are in the process of being sold. These assets have been written down to their recoverable amount at the balance date.

17. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Shares in associate	1,038	–

The Group has a $33^{1}/_{3}\%$ shareholding in an associate company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.

		Consolidated	
		30 June 2012	**30 June 2011**
		AUD$'000s	*AUD$'000s*
(i)	**Movements in carrying amount**		
		–	–
	Carrying amount at the beginning of the financial year	1,252	–
	Acquired in business combination		
	Share of loss after income tax	(14)	–
	Dividends received	(200)	–
	Carrying amount at the end of the financial year	1,038	–
(ii)	**Share of associate's (loss)***		
	(Loss) before tax	(20)	–
	Income tax credit	6	–
	(Loss) after income tax	(14)	–

* Share of loss since 30 March 2012

(iii) Summarised financial information of associate

Group's share of:

	Assets	**Liabilities**	**Revenues**	**Losses**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
2012	2,562	1,351	444	(14)
2011	–	–	–	–

18. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Country of Incorporation	
OPUS Group Limited	**Australia**
Wholly owned subsidiaries of OPUS Group Limited	
Cactus Imaging Holdings Pty Limited *	Australia
Cactus Imaging Pty Limited *	Australia
Opus Group (Australia) Pty Limited *	Australia
Ligare Pty Limited *	Australia
CanPrint Holdings Pty Limited *	Australia
Union Offset Co. Pty Limited *	Australia
CanPrint Communications Pty Limited *	Australia
Integrated Print and Logistics Management Pty Limited *	Australia
McPhersons Printing Pty Limited *	Australia
OPUS Group NZ Holdings Limited	New Zealand
Omnigraphics Limited	New Zealand
Cactus Imaging Limited	New Zealand
F'Digital Limited	New Zealand
F'Displays Limited	New Zealand
Ligare Limited	New Zealand
C.O.S. Printers Pte Limited	Singapore

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 32.

All investments represent 100% ownership interest.

19. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Freehold land and buildings:		
At cost	10,246	6,904
Accumulated depreciation	(2,533)	(2,159)
Total Freehold land and buildings	7,713	4,745
Leasehold improvements:		
At cost	1,873	1,845
Accumulated depreciation	(1,085)	(956)
Total leasehold improvements	788	889
Total property assets	8,501	5,634
Plant and equipment:		
At cost	72,768	54,651
Accumulated depreciation	(43,309)	(36,817)
Total plant and equipment	29,459	17,834
Office furniture and equipment:		
At cost	773	523
Accumulated depreciation	(462)	(416)
Total office furniture and equipment	311	107
Motor vehicles:		
At cost	546	572
Accumulated depreciation	(462)	(444)
Total motor vehicles	84	128
Computer equipment:		
At cost	3,769	2,536
Accumulated depreciation	(2,118)	(1,571)
Total computer equipment	1,651	965
Total property, plant and equipment	40,006	24,668

(a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Land and buildings AUD$'000s	Plant and equipment AUD$'000s	Office furniture and equipment AUD$'000s	Motor Vehicles AUD$'000s	Leasehold improvements AUD$'000s	Computer equipment AUD$'000s	Total AUD$'000s
Carrying amount							
Balance at 1 July 2010	–	14,581	92	99	1,101	212	16,085
Acquisitions through the business combinations – *Note 4*	5,098	6,351	27	53	–	1	11,530
Other additions	–	2,729	32	27	31	819	3,638
Disposals	–	(129)	–	–	(46)	–	(175)
Transfers between categories		(72)	12	–	(41)	101	–
Transfer to assets held for sale	–	(14)	–	–	–	–	(14)
Effect of movements in exchange rates	(163)	(521)	(4)	(5)	(18)	(1)	(712)
Depreciation for the year	(190)	(5,091)	(52)	(46)	(138)	(167)	(5,684)
Balance at 30 June 2011	4,745	17,834	107	128	889	965	24,668
Carrying amount							
Balance at 1 July 2011	4,745	17,834	107	128	889	965	24,668
Acquisitions through the reverse acquisition – *Note 4*	3,142	16,105	145	–	3	275	19,670
Other additions	–	1,504	97	–	19	1,197	2,817
Disposals	–	(80)	–	(1)	–	(2)	(83)
Transfers between categories	–	72	13	–	–	(85)	–
Transfer to assets held for sale	–	(98)	–	–	–	–	(98)
Effect of movements in exchange rates	114	228	2	1	2	(2)	345
Impairment during the period	–	(114)	–	–	–	–	(114)
Depreciation for the year	(288)	(5,992)	(53)	(44)	(125)	(697)	(7,199)
Balance at 30 June 2012	7,713	29,459	311	84	788	1,651	40,006

Finance Leases

The OPUS Group leases certain printing assets under finance lease agreements. The net carrying amount of these assets at 30 June 2012 $3,905,000 (2011: $221,000). The leased printing assets secure the subgroups lease obligation.

Non-current assets pledged as security

Refer to Note 24 for information on non-current assets pledged as security by the parent entity and its controlled entities.

20. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Goodwill	50,513	47,828
Total intangibles	50,513	47,828

(a) Reconciliations

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the financial year are set out below:

Carrying amount	**Goodwill**
	AUD$'000s
Balance at 1 July 2010	37,838
Acquisitions through business combinations – *Note 4*	15,338
Impairment expense – *Note 20c*	(4,839)
Effect of movements in exchange rates	(509)
Balance at 30 June 2011	47,828
Balance at 1 July 2011	47,828
Acquisitions through business combinations – *Note 4*	2,445
Effect of movements in exchange rates	240
Balance at 30 June 2012	50,513

(b) Impairment testing

Goodwill

For the purpose of impairment testing, goodwill is allocated to the OPUS Group's cash generating units ('CGU') which represent the lowest level that independent cash flows are generated (as at the reporting date).

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Cactus subgroup	6,445	6,445
CanPrint subgroup	17,026	17,026
Ligare subgroup	9,239	9,239
C.O.S. Printers Pte Limited	15,358	15,118
McPherson's Printing Pty Limited	2,445	–
Total goodwill	50,513	47,828

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial forecasts covering a 1 year period. Cash flows beyond the projected period are extrapolated using estimated growth rates. In performing the value-in-use calculations for each CGU, the OPUS Group has applied a post-tax discount rate to discount the forecast future attributable post-tax cash flows.

When determining the carrying value of the cash generating unit an allocation of the OPUS Group's corporate asset base has been made to each unit.

The value-in-use has been based on the following key assumptions:

CGU	**EBITDA growth rate (2 to 5 years)**	**Terminal value growth rate**	**Discount rate (pre-tax)**
Cactus subgroup	3%	0%	17%
CanPrint subgroup	3%	2%	17%
Ligare subgroup	3%	2%	17%
C.O.S. Printers Pte Limited	3%	2%	12%
McPherson's Printing Pty Limited	3%	2%	17%

Cash flows of each CGU have been projected based on the actual historical operating results and the approved 2013 forecast which has been extended for 4 years using EBITDA growth assumptions noted above applicable to each CGU.

Terminal cash flows beyond 5 years forecast of each CGU were extrapolated using a constant growth rate as noted above. Growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGU's operate.

The forecasts for the purposes of each of the value in use calculations are most sensitive to changes in the projected cash flows in year 1, the terminal year and the discount rate.

Management and the Board have reviewed the sensitivities of each CGU's recoverable value for the above noted assumptions.

Based on the sensitivities to the key assumptions noted above, if the McPherson's Printing Pty Limited forecasted cash flows for year 1 were 12% lower (all other assumptions being the same) the carrying value and recoverable amount of the CGU would be equal.

Based on the review of the sensitivities to the other key assumptions noted above, management and the Board believe that there are no other reasonably possible changes in any of the key assumptions that would cause the carrying amount of an individual CGU to exceed its recoverable amount.

(c) Impairment of goodwill in the prior year

During the year ended 30 June 2011, goodwill related to the New Zealand Group was impaired in full. Total impairment expense related to this write down was $4,839,000.

21. NON-CURRENT – DEFERRED TAX BALANCES

Deferred tax assets

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Deferred tax assets are attributable to the following		
Property, plant and equipment	1,353	292
Employee benefits	1,799	934
Other provisions/accruals	337	106
Restructure costs	445	363
Inventories	65	66
Doubtful debts	60	62
Cash flow hedges	529	–
Tax losses	1,388	–
Total deferred tax assets	5,976	1,823
Set off deferred tax liabilities	(235)	–
Net deferred tax assets	5,741	1,823

Movements

	Plant & Equipment	Employee Benefits	Restructure costs	Cash flow hedges	Tax losses	Other	Total
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Opening balance 1 July 2010	43	916	38	–	–	245	1,242
(Charged)/credited to income statement – *Note 10a*	208	18	325	–	–	(8)	543
Foreign exchange	41	–	–	–	–	(3)	38
Closing balance 30 June 2011	292	934	363	–	–	234	1,823
(Charged)/credited to income statement – *Note 10a*	360	65	24	155	–	(177)	427
Acquired in business combination – *Note 4*	1,029	814	49	(6)	–	184	2,070
Charged to equity – *Note 10a*	–	–	–	380	–	–	380
Transfer from provision for tax	–	–	–	–	1,388	–	1,388
Transfer from deferred tax liability	(89)	–	–	–	–	(10)	(99)
Under/(over) provision in prior years	(239)	(14)	9	–	–	(4)	(248)
Closing balance 30 June 2012	1,353	1,799	445	529	1,388	227	5,741

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Deferred tax assets to be recovered within 12 months	3,609	1,153
Deferred tax assets to be recovered after more than 12 months	2,132	670
Total deferred tax assets	5,741	1,823

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Consolidated Balance Sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the OPUS Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. Based on current forecasted taxable income it is expected that the deferred tax assets recognised will be fully utilised. To the extent that the future estimates differ to what actually eventuates, the ability of the OPUS Group to utilise tax losses may differ.

Deferred tax liabilities

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	959	1,080
Prepayments	70	10
Inventories	165	–
Total deferred tax liabilities	1,194	1,090
Set off deferred tax assets	(235)	–
Net deferred tax liabilities	959	1,090

Movements

	Plant and Equipment	Prepayments	Total
	AUD$'000s	*AUD$'000s*	*AUD$'000s*
Opening balance 1 July 2010	–	–	–
(Charged)/credited to income statement – *Note 10a*	(80)	10	(70)
Acquired in business combination	1,160	–	1,160
Closing balance 30 June 2011	1,080	10	1,090
(Charged)/credited to income statement – *Note 10a*	(69)	–	(69)
Transfer to deferred tax asset	(89)	(10)	(99)
Foreign exchange	37	–	37
Closing balance 30 June 2012	959	–	959

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Deferred tax liabilities to be settled within 12 months	–	10
Deferred tax liabilities to be settled after more than 12 months	959	1,080
Net deferred tax liabilities	959	1,090

22. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Trade creditors	10,801	6,767
Other creditors	1,369	2,739
Other payables and accruals	4,975	2,254
Total trade and other payables	17,145	11,760

23. DERIVATIVES

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Current Liabilities		
Interest rate swaps – cash flow hedges	1,253	93
Total current derivative liabilities	1,253	93
Non-Current Liabilities		
Interest rate swaps – cash flow hedges	543	–
Total non-current derivative liabilities	543	–
Total derivative liabilities	1,796	93

During the year interest rate swaps held as cash flow hedges were closed out as part of the OPUS Group's debt refinancing. A closure cost of $515,000 (2011: nil) was recognised in relation to the closure. The cost of closure was incorporated into the interest swap margin and no cash outflow was required at the time of refinancing.

The interest rate swaps cover $48,800,000 of the OPUS Group's floating debt exposure and are timed to expire over the debt facility term in line with the specified repayment schedule of the facility. The fixed rates range between 4.54% and 5.14% (2011: 4.82% to 5.96%). The floating rate component tracks BBSY. The contracts require settlement of net interest on a quarterly basis. The settlement dates coincide with the dates when interest is payable on the debt facility.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve to the extent that the hedge is effective. There was no material hedge infectiveness in the current year or prior year.

24. INTEREST BEARING LIABILITIES

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Non-current liabilities		
Secured bank loans	58,100	–
Finance leases	3,005	127
Total non-current interest bearing liabilities	61,105	127
Current Liabilities		
Secured bank loan	5,400	54,174
Bank overdraft	–	971
Other secured loans	–	1,258
Finance leases	776	59
Total current interest bearing liabilities	6,176	56,462
Total interest bearing liabilities	67,281	56,589

(a) Current year debt financing

To facilitate the merger of OPUS Group Limited and the OPUS Group of Companies and to provide the OPUS Group with appropriate debt funding post transaction, OPUS Group Limited has entered into the following debt facilities with the Commonwealth Bank of Australia Limited ('CBA'), together, ('CBA Facilities'):

i. A $53,000,000 facility to refinance the existing facilities of the OPUS Group of Companies ('Facility A');

ii. A $10,500,000 facility to fund the cash component of the purchase consideration payable to the OPUS Group of Companies shareholders on completion of the Acquisition Agreement ('Facility B'); and

iii. A $4,000,000 facility for working capital and general corporate purposes ('Working Capital Facility'),

The borrower under each of these CBA Facilities is OPUS Group Limited. The CBA Facilities are due to be repaid or refinanced 4 years from the date of the facility being entered into, other than Facility A being subject to mandatory amortisation on a quarterly basis. The first repayment is due 30 September 2012.

Utilisation of the OPUS Group's debt facilities at 30 June 2012 is as follows:

	Utilised Amount	Total Facility
	AUD$'000s	*AUD$'000s*
30 June 2012		
Secured bank loan – tranche A	53,000	53,000
Secured bank loan – tranche B	10,500	10,500
Working capital facility[1]	1,872	4,000
	65,372	67,500
30 June 2011		
Secured bank loan – Ligare	30,000	30,000
Secured bank loan – Omnigraphics	24,174	24,174
Secured loan – Omnigraphics	1,258	1,258
Bank overdraft	971	2,800
	56,403	58,232

The utilised component of the working capital facility relates to off balance sheet bank guarantees and letters of credit.

The details of each current facility are outlined below:

Facility A and Facility B: These are term facilities which were utilised to assist in funding the OPUS Acquisition and to refinance any existing indebtedness of the OPUS Group of Companies.

In June 2012 $1,500,000 was repaid on Facility B as a voluntary repayment. This amount cannot be redrawn.

Working Capital Facility: This is a multi-option facility that may be utilised to fund the day to day working capital requirements of the OPUS Group and general corporate purposes such as letters of credit. The amount drawn down under the Working Capital Facility varies according to the needs of the Group. At 30 June 2012 $1,872,000 was drawn down against this facility related to bank guarantees and letters of credit.

Swap and Hedging Facility: Under the terms of the debt facility, Facility A and B are to be 75% hedged against interest rate movements in the first 3 years and 50% thereafter.

The agreement under which the CBA facilities are made available contains financial covenants typical for a facility of this nature and are tested quarterly. The facility requires compliance with an interest cover ratio, leverage ratio, debt service ratio and limits on the OPUS Group's capital expenditure. Compliance with covenants is highly dependent on future business performance, working capital management and capital requirements. The OPUS Group has complied with these covenants.

The terms of the CBA facilities require OPUS Group Limited and each of its subsidiaries to be guarantors in respect of the external debt. Each guarantor grants security over its assets (including a fixed and floating charge) in favour of CBA to support that guarantee in the form of a General Security Deed containing a specific security over shares or units in any unit trust held by that guarantor.

The OPUS Group is expected to have sufficient working capital to carry out its business objectives. In the event that the OPUS Group requires additional funding to support its working capital requirements, the Directors would seek appropriate external funding.

Classification of prior year debt

In the prior year, with respect to the financing of the OPUS Group of Companies it is noted that during the year ended 30 June 2011, the OPUS Group of Companies breached its gearing ratio banking covenants associated with its debt facility, resulting in the full amount of the OPUS Group of Companies bank debt (approximately $54,174,000) being classified as a current liability, as the bank became technically entitled, if it wished to do so, to call or cancel any or all of the financing arrangements.

25. EMPLOYEE BENEFITS

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Liability for annual leave and time in lieu	2,418	2,009
Liability for long-service leave	2,774	737
Current portion of employee benefit liability	5,192	2,746
Liability for long-service leave	400	373
Non-current portion of employee benefit liability	400	373
Total employee benefit liability	5,592	3,119

The current provision for employee benefits includes accrued annual leave, time in lieu and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The entire amount is classified as current, since the OPUS Group does not have an unconditional right to defer settlement. Based on past experience the OPUS Group does not expect all employees to take the full amount of leave or require payment within 12 months. At 30 June 2012 management expect that approximately $2,450,000 (2011: $600,000) of the above employee entitlement provision will not be taken within 12 months.

26. SHARE CAPITAL

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Issued and paid up capital:		
53,678,177 (2011: 25,250,000) ordinary shares – fully paid	39,353	24,576

Movements in ordinary share capital

	Number of *shares '000*	*AUD$'000s*
Opening balance 1 July 2010	25,250	24,576
Closing balance 30 June 2011	25,250	24,576
Opening balance 1 July 2011	25,250	24,576
Elimination of existing shares OPUS Group of Companies	(25,250)	–
Existing shares in OPUS Group Limited at time of transaction	18,102	–
Issue of shares in reverse acquisition [(a)]	35,576	26,777
Return of share capital to OPUS foundation shareholders – *Note 30*	–	(12,000)
Closing balance 30 June 2012	53,678	39,353

(a) Measured by reference to the combined fair value of OPUS Group Limited and McPherson's Printing Pty Limited at the time of the transaction. Refer to Note 4 for further disclosure related to this transaction.

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the there is no limit on the amount of authorised capital.

27. RESERVES AND RETAINED PROFITS

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
(a) Reserves		
Hedging reserve – cash flow hedges	(929)	(93)
Foreign currency translation reserve	(801)	(1,116)
	(1,730)	(1,209)
Hedging reserve – cash flow hedges		
Balance 1 July	(93)	–
Changes in fair value of hedges net of tax	(836)	(93)
Balance 30 June	(929)	(93)
Foreign currency translation reserve		
Balance 1 July	(1,116)	(553)
Exchange differences on the translation of internal borrowings	(235)	–
Exchange differences on the translation of foreign	550	(563)
Balance 30 June	(801)	(1,116)
(b) (Accumulated losses)/Retained Profits		
Balance 1 July	(1,281)	3,948
(Loss) after tax	(1,794)	(5,229)
Balance 30 June	(3,075)	(1,281)

(c) Nature and purpose of reserves

(i) Hedging reserve – cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(ii) Foreign currency translation reserve

The hedging reserve comprises all foreign currency differences arising from the translation on consolidation of the financial statements of the subsidiaries, which do not have an Australian Dollar functional currency.

The OPUS Group funds its foreign operations through the use of internal borrowings between the OPUS Group businesses. These borrowings which are taken out to provide additional equity to the New Zealand operations has been designated as a net investment in the subsidiary. The foreign exchange loss of $235,000 (2011: $nil) on translation of the loans to Australian Dollars at the end of the reporting period is recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

28. CONTRACTUAL COMMITMENTS FOR EXPENDITURE

(a) Capital commitments

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Aggregate capital expenditure contracted for at balance date, but not provided for in the accounts due:		
Not later than one year	126	–
Total capital commitments	126	–

(b) Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Less than a year	3,065	2,467
Between one and five years	5,249	6,371
More than five years	1,383	1,552
Total lease commitments	9,697	10,390

The OPUS Group leases land, printing assets, warehouses and general office equipment. Certain of the properties are leased from related parties. Refer to Note 30 for details of these related party leases.

(c) Finance lease commitments

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Commitments in relation to Finance lease payments are payable as follows:		
Not later than one year	1,045	100
Later than one year but not later than five years	3,428	192
	4,473	292
Future finance charges	(692)	(106)
Recognised as a liability	3,781	186
Representing finance lease		
Current – *Note 24*	776	59
Non-current – *Note 24*	3,005	127
Total finance leases	3,781	186

The OPUS Group leases offices, warehouses, plant and machinery and motor vehicles under non-cancellable operating leases and Finance lease arrangements expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are generally re-negotiated.

29. CONTINGENT LIABILITIES

The obligations of a controlled entities under an operating lease agreement are partly secured by a bank guarantee.

The terms of the CBA facilities require OPUS Group Limited and each of its subsidiaries to be guarantors in respect of the debt. Each guarantor grants security over its assets (including a fixed and floating charge) in favour of CBA to support that guarantee in the form of a General Security Deed containing a specific security over shares or units in any unit trust held by that guarantor.

30. RELATED PARTIES

Key management personnel compensation

	Consolidated	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Short-term employee benefits	1,604	1,332
Post-employment benefits	58	30
Long term benefits	3	2
Total key management personnel compensation	1,665	1,364

Details of above remuneration disclosures are provided in the Remuneration Report on pages II-221 and II-229.

Director fee expense

Director fees are paid to Knox Investment Partners Limited in respect of services provided by Mr Jackson. Total fees paid for the year were $89,000 (2011: $193,000). Consulting fees of $29,894 were paid to Knox Investment Partners during the year in addition to Director fees (2011: $43,000).

Lease costs

Ligare Pty Limited occupies a property in Riverwood, Sydney under a lease agreement with D.M.R.A Property Pty Limited a company controlled by Mr Celarc, who is a shareholder and Director of OPUS Group Limited. The lease agreement expires in December 2016. Lease fees paid for the year total $612,000 (2011: $595,000). No amounts are outstanding at the reporting date (2011: $nil).

Consulting fees

Consulting fees paid to Mr Celarc (Director) through Angrich Pty Limited Consulting for the year ended 30 June 2012 amounted to $300,000 (2011: $273,000).

Consulting fees paid to Mr McGrath (Director) through JBD Investments Pty Limited for marketing and promotional activities amounted to $56,000 (2011: $nil).

Loans to key management personnel

An unsecured loan has been advanced by the OPUS Group to Mr Brigstocke amounting to $1,070,000 (2011: $1,394,000). Details of the movements in this loan are as follows:

Details of loans made to key management personnel, including their personally related parties, are set out below:

Name	Balance at the start of the year *AUD$'000s*	Net Interest paid and payable for the year *AUD$'000s*	Loan repaid *AUD$'000s*	Balance at the end of the year *AUD$'000s*	Highest indebtedness during the year *AUD$'000s*
Clifford D. J. Brigstocke	1,394	20	(344)	1,070	1,394

The above loan outstanding is unsecured and interest is payable on this loan at the rate of 7.8% per annum. Interest on the loan was waived until 30 March 2012 as agreed between the Board and Mr Brigstocke. The amount of the interest waived totalled $84,000. The loan is payable on demand and 60% of any distributions received by Mr Brigstocke in relation to shares held in the OPUS Group must be firstly applied to any interest owing and secondly as a permanent repayment of a portion of the loan.

Other transactions with key management personnel

As part of the merger between the OPUS Group of Companies and OPUS Group Limited the following cash payments were made to the OPUS Group of Companies shareholders (listed below) as part of the acquisition consideration:

	AUD$
Knox Investment Partners Fund III AUD 1 Limited*	8,333,000
Richard F. Celarc	2,524,000
Clifford D.J. Brigstocke**	574,000
Other	569,000
	12,000,000

* Mr Jackson is a Director and Manager of this fund.

** $344,000 of the amount paid to Mr Brigstocke was used to repay his loan balance with the Group.

Share holdings

The number of ordinary shares in the OPUS Group held during the financial year by each Director of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year
Directors of OPUS Group Limited			
William J. Mackarell *(Chairman)*	–	60,000	60,000
Richard F. Celarc	–	7,826,627	7,826,627
Bret P. Jackson[1]	–	18,772,623	18,772,623
Simon A. Rowell	–	54,381	54,381
James M. Sclater	–	50,000	50,000
Matthew J. McGrath	–	25,025	25,025
Other key management personnel of the Group			
Robert I. Alexander	–	–	–
Mark R. Heron	–	50,250	50,250
Clifford D.J. Brigstocke	–	1,704,117	1,704,117
Philip R. Bennett	–	2,694	2,694

Shareholdings held by the above key management personnel in the share capital of OPUS Group Limited at 30 June 2011 were nil.

At 30 June 2011 and up to the date of the merger transaction Knox Investment Funds, an associated entity of Mr Jackson held 17,533,600 shares, Mr Celarc held 5,310,075 shares and Mr Brigstocke held 1,209,475 shares in the OPUS Group of Companies aggregated share capital.

31. EVENTS OCCURRING AFTER BALANCE DATE

No matters have arisen since 30 June 2012 that have significantly affected or may significantly affect the operations of the OPUS Group, the results or those operations or the state of the affairs of the OPUS Group in financial periods subsequent to 30 June 2012.

32. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

As at and throughout the financial year ended 30 June 2012, the legal parent company of the OPUS Group was OPUS Group Limited.

The individual financial statements for the parent entity show the following aggregate amounts:

	Company	
	30 June 2012	**30 June 2011**
	AUD$'000s	*AUD$'000s*
Balance sheet		
Current assets	2,020	–
Non-current assets	138,321	24,866
Total assets	140,341	24,866
Current liabilities	1,510	–
Non-current liabilities	64,043	24,790
Total liabilities	65,553	24,790
Shareholders' equity		
Issued capital	53,687	1,060
Reserves		
Cash flow hedges	(897)	2
Retained earnings	21,998	(986)
Total shareholders' equity	74,788	76
Profit for the year*	22,983	–
Total comprehensive income*	22,085	–

* Includes debt forgiveness by the former parent entity of OPUS Group Limited of $24,791,000.

OPUS Group Limited is the legal owner of the OPUS Group. However under Australian Accounting Standards a reverse acquisition by the OPUS Group of Companies is deemed to have occurred at the time of the transaction between the two entities.

(b) Guarantees entered into by the parent entity

There are cross guarantees given by OPUS Group Limited as described in Note 33. At 30 June 2012 OPUS Group Limited had issued bank guarantees in relation to subsidiary entities to the value of $186,000 (2011: $nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 (2011: $nil). For information about guarantees given by the parent entity, please see above.

33. DEED OF CROSS GUARANTEE

Opus Group Limited, and the following controlled entities, are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others.

Entity	**ACN**
McPherson's Printing Pty Limited	004 911 308
Ligare Pty Limited	001 787 275
CanPrint Communications Pty Limited	079 915 932
Cactus Imaging Holdings Pty Limited	129 630 539
CanPrint Holdings Pty Limited	123 477 377
OPUS Group (Australia) Pty Limited	125 553 497
Cactus Imaging Pty Limited	072 625 720
Union Offset Co. Pty Limited	008 458 099
Integrated Print And Logistics Management Pty Limited	086 158 894

By entering into the deed, the whollyowned entities have been relieved from the requirement to prepare a financial report and Director's Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order and as there are no other parties to the Deed of Cross Guarantee that are controlled by OPUS Group Limited, they also represent the 'Extended Closed Group'.

(a) Consolidated Statement of Comprehensive Income and summary of movements in consolidated retained profits

Set out below is a Consolidated Statement of Comprehensive Income and a summary of movements in consolidated retained profits for the year ended 30 June 2012 of the Closed Group.

	30 June 2012
	AUD$'000s
Consolidated Statement of Comprehensive Income	
Revenue from continuing operations	76,577
Other Income	354
Changes in inventories of finished goods, materials and work in progress	(19,330)
Other production costs and freight	(13,639)
Employee benefits expense	(25,250)
Occupancy costs	(3,641)
Depreciation and amortisation expense	(5,211)
Cost of closing interest rate swaps	(515)
Realised foreign exchange gain/loss	(6)
Other expenses	(7,380)
Operating (loss) before finance costs	1,959
Finance revenue	986
Finance expenses	(4,681)
Net finance costs	(3,695)
Share of net loss of associate	(14)
(Loss) before income tax	(1,750)
Income tax benefit	608
(Loss) after income tax	(1,142)
Other comprehensive income/(loss)	
Changes in fair value of cash flow hedges	(1,216)
Income tax relating to components of other comprehensive income	380
Other comprehensive (loss)	(836)
Total comprehensive (loss)	(1,978)
Summary of movements in consolidated retained earnings	
Retained profits at the beginning of the financial year	8,721
(Loss) after income tax for the year	(1,142)
Retained profits at the end of the financial year	7,579

(b) Consolidated Balance Sheet

Set out below is a Consolidated Balance Sheet as at 30 June 2012 of the Closed Group:

	30 June 2012
	AUD$'000s
Current assets	
Cash and cash equivalents	3,680
Trade and other receivables	13,158
Inventories	6,424
Other current assets	2,556
Total current assets	25,818
Non-current assets	
Receivables	32,029
Other financial assets	6,414
Property, plant and equipment	29,220
Deferred tax assets	5,741
Intangible assets	35,164
Total noncurrent assets	108,568
Total assets	134,386
Current liabilities	
Trade and other payables	14,076
Finance leases	714
Borrowings	5,400
Derivative financial instruments	1,253
Current tax liabilities	46
Provisions	5,131
Total current liabilities	26,620
Non-current liabilities	
Borrowings	58,100
Derivative financial instruments	543
Provisions	311
Finance leases	2,809
Total non-current liabilities	61,763
Total liabilities	88,383
Net assets	46,003
Equity	
Contributed equity	39,353
Reserves	(929)
Retained earnings	7,579
Total equity	46,003

(c) Contingent liabilities and guarantees

The subsidiaries have guaranteed the repayment of borrowings of the OPUS Group. The cross guarantee given by those entities listed may give rise to liabilities in each entity if the subsidiaries do not meet their obligations under the terms of the overdrafts, loans, leases, or other liabilities subject to the guarantee.

Remuneration Report

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

- Key management personnel identification
- Principles used to determine the nature and amount of remuneration
- Remuneration and other transactions with key management personnel

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

Key management personnel identification

The key management personnel (as defined in AASB 124 Related Party Disclosures) of OPUS Group are the Directors and the following executives, as they had authority and responsibility for planning, directing and controlling the activities of the OPUS Group, directly or indirectly, during the financial year:

Name	Position	Employer
Philip R. Bennett	Company Secretary	Consultant contract with OPUS Group Limited
Clifford D. J. Brigstocke	Chief Executive Officer	OPUS Group Australia Pty Limited
Mark R. Heron	Chief Operating Officer	OPUS Group New Zealand Holdings Limited
Robert I. Alexander	Chief Financial Officer	OPUS Group Australia Pty Limited

In the prior year only Mr Brigstocke and Mr Heron were identified as key management personnel of the OPUS Group of Companies.

Principles used to determine the nature and amount of remuneration

The objective of the OPUS Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for the delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation;
- Transparency; and
- Capital management.

OPUS Group has a remuneration policy and structure that is equitable, competitive and consistent so as to ensure the recruitment and retention of personnel of the capability, competence and experience necessary for the achievement of the Company's strategies and goals.

The remuneration framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current year.

Use of Remuneration Consultants

The Group is working with accounting firm, KPMG, to review and structure the remuneration plan for Key Management Personnel. At the date of this report this work is still in progress. No remuneration has been paid to KPMG in respect of this work to date.

Nomination and Remuneration Committee

OPUS Group has a Nomination and Remuneration Committee which has been established by the Board of Directors to annually review, evaluate and make recommendations to the Board in relation to remuneration, including:

- Non-executive Director remuneration;
- Staff incentive plans proposed by the Chief Executive Officer, including bonus, share and option plans, and the basis of their application;
- Salary, benefits and total remuneration packages of the Chief Executive Officer and other senior executives; and
- Substantial changes to the principles of the OPUS Group's superannuation arrangements.

Remuneration and other transactions with key management personnel

Key management personnel remuneration

Non-executive Directors' fees are determined within an aggregate non-executive Directors' fee pool limit. For the financial year ended 30 June 2012 and in respect of each financial year thereafter and until otherwise determined by a resolution of OPUS Group shareholders, the maximum aggregate remuneration payable to all non-executive Directors of the OPUS Group for their services as Directors including their services on a Board or committee or sub-committee and including superannuation is limited to $600,000 per annum (in total). Services provided which are not in the capacity as a Director (e.g. general consulting) are excluded from the limit.

The total fixed remuneration packages inclusive of superannuation and other benefits for Key Management Personnel of the OPUS Group at the date of this report are as follows:

Name	Term of Agreement	Total Fixed Remuneration	Notice Period by Executive	Notice Period by OPUS Group	Termination Payment
Clifford D.J. Brigstocke	Open	$395,500*	12 months	12 months	12 months
Mark R. Heron	Open	NZ$250,000	3 months	3 months	3 months
Robert I. Alexander	Open	$300,000*	6 months	9 months	6 months
Philip R. Bennett	Open	$150 per hour	N/A	N/A	N/A

* Inclusive of superannuation

Mr Bennett provides services to the OPUS Group through a consultancy agreement. The consultancy agreement has no fixed term.

In addition, key management personnel (other than Non-executive Directors), will be eligible for discretionary at risk incentives in circumstances where pre-determined performance targets are exceeded. The quantum of these incentives is determined annually in conjunction with annual performance and remuneration reviews.

Base pay is structured as a package amount which may be delivered as cash and prescribed non-cash financial benefits, including motor vehicles and additional superannuation contributions at the executive's discretion. Base pay is reviewed annually to reflect increases in responsibility and to ensure that the executive's pay is competitive in the market for a comparable role. There are no guaranteed base pay increases included in any Senior Executives' contracts.

Non-executive Directors are not entitled to participate in any incentive scheme, nor are they eligible to receive share options.

The Chairman and other Non-executive Directors receive additional fees for their membership of the Board's Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee. Directors may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their Directors' or committee membership fees, to any complying nominated superannuation fund.

Short-term performance incentives (STI)

Short-term incentives in the form of cash bonuses are available to senior executives providing the OPUS Group, operating division or business most closely aligned with the executive's area or areas of responsibility achieve or exceed pre-determined profit and/or other financial targets and achieve key personal performance objectives. Adjusted EBITDA performance targets consistent with those disclosed in the segment reporting note of this Annual Financial Report, have been selected because this ensures that variable reward is only available when value has been created for shareholders and when financial and other targets are consistent with or exceed the business plan.

Non-financial targets related to the integration of the OPUS Group of Companies, the success of the ASX listing and completion of the merger was in place for the financial year ended 30 June 2012.

Each year the Nomination and Remuneration Committee considers the appropriate targets and key performance indicators together with the level of payout if targets are met or exceeded.

An assessment regarding eligibility for a cash bonus is made by reference to actual performance outcomes when these are known following the conclusion of the financial year. Short-term incentives are normally payable following the end of the financial year to which the incentive relates.

Long-term performance incentives (LTI)

The OPUS Group is in the process of establishing a long term incentive plan for key management personnel. This is not in place at the date of this Financial Report.

Link of historical financial performance to performance incentives

Historically there has not been a direct link between financial performance and performance incentives due to the way the Group has been structured. As noted above financial performance specifically linked to Adjusted EBITDA will be a key element of the quantification of performance incentives on a go forward basis.

Retirement benefits

Retirement benefits are delivered by a number of superannuation funds selected by the OPUS Group or the executive. Executives may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their base package amount, to any complying nominated superannuation fund.

Performance assessment

The process for reviewing the performance of Senior Executives is undertaken by the Chief Executive Officer.

The Chairman is responsible for meeting with the individual Directors to discuss their individual performance and contribution to the Board however the Nomination and Remuneration Committee oversee this function. The performance of the Chief Executive Officer is monitored and assessed by the members of the Nomination and Remuneration Committee.

The Chairman of the Nomination and Remuneration Committee is Mr Rowell, a Non-executive Director. The other members of the Committee are Mr Celarc, Mr Jackson, Mr Mackarell, and Mr McGrath all of whom are Nonexecutive Directors. All Committee members are independent Directors.

Details of remuneration

Details of the remuneration of the Directors of the OPUS Group, the other key management personnel and the other highest remunerated executives of the OPUS Group are set out in the following tables.

2012	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary & fees [1]	Cash bonus	Non-monetary benefits [2]	Super-annuation	Long Service Leave	Termination benefits	Options	Total	% of remuneration linked to performance
	$	$	$	$	$	$	$	$	
Directors of OPUS Group Limited									
William J. Mackarell *(Chairman)*	76,125	–	–	2,295	–	–	–	78,420	0%
Richard F. Celarc [3]	341,250	–	–	1,013	–	–	–	342,263	0%
Bret P. Jackson	89,254	–	–	–	–	–	–	89,254	0%
Simon A. Rowell	29,000	–	–	2,610	–	–	–	31,610	0%
James M. Sclater	54,274	–	–	–	–	–	–	54,274	0%
Matthew J. McGrath	49,250	–	–	1,350	–	–	–	50,600	0%
Other Group Key Management Personnel									
Robert I. Alexander	148,077	55,000	–	14,625	–	–	–	217,702	25%
Clifford D.J. Brigstocke	357,840	48,400	100,157	36,090	2,733	–	–	545,220	9%
Mark R. Heron	195,126	23,415	–	–	–	–	–	218,541	11%
Philip R. Bennett	37,125	–	–	–	–	–	–	37,125	0%
Total Remuneration	1,377,321	126,815	100,157	57,983	2,733	–	–	1,665,009	

(1) Cash salary and fees includes movements in the annual leave provision where applicable.

(2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses. This amount includes interest waived on the shareholder loan to Mr Brigstocke of $84,000.

(3) Remuneration disclosed above includes $300,000 of consulting fees related to Mr Celarc's role as the General Manager of Publishing for the OPUS Group. These fees are excluded from the limit of Director remuneration as disclosed on page II-223.

As a result of the reverse acquisition accounting, the remuneration of Directors and other key management personnel remuneration disclosed are for services provided to the OPUS Group of Companies for the full year and for OPUS Group Limited for the period 31 March 2012 to 30 June 2012. Remuneration disclosed above is for the period which the above individuals provided services to the OPUS Group.

2011		Short-term benefits		Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary & fees [1]	Cash bonus	Non-monetary benefits [2]	Super-annuation	Long Service Leave	Termination benefits	Options	Total	% of remuneration linked to performance
	$	$	$	$	$	$	$	$	
Directors of OPUS Group Limited									
William J. Mackarell *(Chairman)*	86,250	–	–	–	–	–	–	86,250	0%
Richard F. Celarc [3]	330,700	–	–	–	–	–	–	330,700	0%
Bret P. Jackson	192,562	–	–	–	–	–	–	192,562	0%
James M. Sclater	54,611	–	–	–	–	–	–	54,611	0%
Matthew J. McGrath	59,000	–	–	–	–	–	–	59,000	0%
Other Group Key Management Personnel									
Clifford D. J. Brigstocke	361,409	57,500	16,372	30,000	2,023	–	–	467,304	12%
Mark R. Heron	173,543	–	–	–	–	–	–	173,543	0%
Total Remuneration	1,258,075	57,500	16,372	30,000	2,023	–	–	1,363,970	

(1) Cash salary and fees includes movements in the annual leave provision relating to the Chief Executive Officer and other key management personnel.

(2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses.

(3) Remuneration disclosed above includes $273,000 of consulting fees related to Mr Celarc's role as General Manager of Ligare Pty Limited. These fees are excluded from the limit of Director remuneration as disclosed on page II-223.

As a result of the reverse acquisition accounting, the remuneration of Directors and other key management personnel remuneration disclosed is for services provided to the OPUS Group of Companies for the year. Remuneration disclosed above is for the period which the above individuals provided services to the OPUS Group.

Amounts disclosed as remuneration of Directors and Executives exclude premiums paid by the consolidated entity in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is disclosed on page II-229.

Share holdings

The number of ordinary shares in the Company held during the financial year by each Director and other Key Management Personnel of OPUS Group Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012

Name	**Balance at the start of the year**	**Changes during the year**	**Balance at the end of the year**	**Balance at the date of this report**
Directors of OPUS Group Limited				
William J. Mackarell *(Chairman)*	–	60,000	60,000	60,000
Richard F. Celarc	–	7,826,627	7,826,627	7,826,627
Bret P. Jackson[1]	–	18,772,623	18,772,623	18,772,623
Simon A. Rowell	–	54,381	54,381	54,381
James M. Sclater	–	50,000	50,000	66,730
Matthew J. McGrath	–	25,025	25,025	25,025
Other key management personnel of the Group				
Robert I. Alexander	–	–	–	–
Mark R. Heron	–	50,250	50,250	50,250
Clifford D. J. Brigstocke	–	1,704,117	1,704,117	1,704,117
Philip R. Bennett	–	2,694	2,694	2,694

Shareholdings held by the above key management personnel in the share capital of OPUS Group Limited at 30 June 2011 were nil.

1 Mr Jackson is a director of OPUS Group Limited and a director of the following entities which hold securities in OPUS Group: Knox Investment Partners Fund III AUD 1 Limited, Knox Investment Partners Fund III AUD 3 Limited, Knox Investment Partners Fund III AUD 4 Limited and Knox Investment Partners Fund III AUD 5 Limited.

At 30 June 2011 and up to the date of the merger transaction Knox Investment Funds, an associated entity of Mr Jackson held 17,533,600 shares, Mr Celarc held 5,310,075 shares and Mr Brigstocke held 1,209,475 shares in the OPUS Group of Companies aggregated share capital.

Other transactions with key management personnel

Director fees are paid to Knox Investment Partners Limited in respect of services provided by Mr Jackson. Total fees paid for the year were $89,000 (2011: $193,000). Consulting fees of $29,894 were paid to Knox Investment Partners during the year in addition to Director fees (2011: $43,000).

Ligare Pty Limited occupies a property in Riverwood, Sydney under a lease agreement with D.M.R.A Property Pty Limited, a company controlled by Mr Celarc, who is a shareholder and Director of OPUS Group Limited. The lease agreement expires in December 2016. Lease fees paid for the year total $612,000 (2011: $595,000). No amounts are outstanding at the reporting date (2011: Nil).

Consulting fees paid to Mr Celarc (Director) through Angrich Pty Limited Consulting for the year ended 30 June 2012 amounted to $300,000 (2011: $273,000). These amounts are disclosed as part of Mr Celarc's remuneration noted above.

Consulting fees paid to Mr McGrath (Director) through JBD Investments Pty Limited for marketing and promotional activities amounted to $56,000 (2011: Nil).

As part of the merger between the OPUS Group of Companies and OPUS Group Limited the following cash payments were made to the OPUS Foundation Shareholders (listed below) as part of the acquisition consideration:

	$AUD
Knox Investment Partners Fund III AUD 1 Limited*	8,333,000
Richard F. Celarc	2,524,000
Clifford D. J. Brigstocke**	574,000
Other	569,000
	12,000,000

* Mr Jackson is a Director and Manager of this fund.

** $344,000 of the amount paid to Mr Brigstocke was used to repay his loan balance with the Group.

An unsecured loan has been advanced by the OPUS Group to Mr Brigstocke amounting to $1,070,000 (2011:$1,394,000). Details of the movements in this loan are as follows:

Name	**Balance at the start of the year**	**Net Interest paid and payable for the year**	**Loan repaid**	**Balance at the end of the year**	**Highest indebtedness during the year**
	AUD$'000s	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*	*AUD$'000s*
Clifford D. J. Brigstocke	1,394	20	(344)	1,070	1,394

The above loan outstanding is unsecured and interest is payable on this loan at the rate of 7.8% per annum. Interest on the loan was waived until 30 March 2012 as agreed between the Board and Mr Brigstocke. The amount of the interest waived totalled $84,000. The loan is payable on demand and 60% of any distributions received by Mr Brigstocke in relation to shares held in the Opus Group must be firstly applied to any interest owing and secondly as a permanent repayment of a portion of the loan.

Indemnification and insurance of officers

The OPUS Group has agreed to indemnify the current Directors and certain current executive of the OPUS Group against all liabilities to another person (other than the OPUS Group or a related body corporate) that may arise from their position as Directors or officers of the OPUS Group, to the extent permitted by law. The indemnity agreement stipulates that the OPUS Group will meet the full amount of such liabilities, including costs and expenses.

The OPUS Group pays a premium to insure Directors and certain officers of the OPUS Group and controlled entities. The officers of the OPUS Group covered by the insurance policy include the current Directors and Secretary of the parent company and its subsidiaries, senior management of the OPUS Group and senior management of divisions and controlled entities of the OPUS Group. As the insurance policy operates on a claims made basis, former Directors and officers of the OPUS Group are also covered.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company or controlled entities. The insurance policy outlined above does not contain details of premiums paid in respect of individual Directors and officers of the OPUS Group. The insurance policy prohibits disclosure of the premium paid.

The OPUS Group has not otherwise indemnified or agreed to indemnify an officer or of any related body corporate against a liability incurred by such officer.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OPUS GROUP LIMITED

Report on the financial report

We have audited the accompanying financial report of OPUS Group Limited (the company), which comprises the balance sheet as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the OPUS Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

Our procedures include 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 opinions.

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 OPUS Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages II-221 to II-229 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of OPUS Group Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of OPUS Group Limited (the company) for the year ended 30 June 2012 included on OPUS Group Limited's web site. The company's directors are responsible for the integrity of the OPUS Group Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

Sydney
25 September 2012

Issued by OPUS Group's auditor

SUPPLEMENTAL FINANCIAL INFORMATION OF OPUS GROUP

The following is the supplemental financial information of OPUS Group, which was not included in OPUS' audited financial statements showing the financial information for the three financial years ended 30 June 2014, 2013 and 2012.

Aging analysis of trade receivables by invoice date

	As at 30 June		
	2014	**2013**	**2012**
	AUD$'000	*AUD$000*	*AUD$'000*
0 – 30 days	6,480	9,275	9,211
31 – 60 days	4,238	3,933	4,154
61 – 90 days	1,909	1,724	1,720
91 – 120 days	433	398	482
Over 120 days	580	225	521
	13,640	15,555	16,088

Aging analysis of trade creditors by invoice date

	As at 30 June		
	2014	**2013**	**2012**
	AUD$'000	*AUD$000*	*AUD$'000*
0 – 30 days	3,077	5,246	5,711
31 – 60 days	2,842	3,254	3,897
61 – 90 days	705	772	649
91 – 120 days	85	132	32
Over 120 days	460	463	512
	7,169	9,867	10,801

Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the years ended 30 June 2014, 2013 and 2012 included nil, one and one director whose emolument is reflected in the analysis presented above. Emoluments payable to the remaining individuals are as follows:

	For the year ended 30 June		
	2014	**2013**	**2012**
	AUD$'000	*AUD$000*	*AUD$'000*
Salaries, allowances and other short term benefits	1,404,931	1,254,814	1,033,310
Post-employment benefits	83,332	70,248	74,704
Long-term benefits	9,839	1,278	2,733
	1,498,102	1,326,340	1,110,747

Their emoluments fell within the following bands:

	Number of individuals		
	2014	**2013**	**2012**
AUD$200,001 – AUD$300,000	3	2	3
AUD$300,001 – AUD$400,000	1	1	1
AUD$400,001 – AUD$500,000	1	–	–
AUD$500,001 – AUD$600,000	–	1	–
	5	4	4

DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY AND OPUS

As described in the section "Letter from the Board – Waiver from Strict Compliance with the Listing Rules", the Company has applied to the Hong Kong Stock Exchange for, and has been granted, a waiver from the requirement to produce an accountants' report on the OPUS Group in accordance with Rule 14.69(4)(1)(i) of the Listing Rules.

This Circular contains a copy of the published accounts of the OPUS Group for each of the three years ended 30 June 2014 which were complied with IFRS and were audited by PricewaterhouseCoopers Australia ("OPUS Group Published Accounts").

The accounting policies adopted in the preparation of OPUS Group Published Accounts differ in certain respects from the accounting policies presently adopted by the Company. Differences, other than presentation differences, which would have a significant effect on OPUS Group Published Accounts had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with the accounting policies adopted by the OPUS Group in the OPUS Group Published Accounts, are set out below in the section "OPUS Group's Unaudited Adjusted Financial Information under the Company's Accounting Policies".

In particular, disclosure is set out providing:

(a) A comparison between the OPUS Group's consolidated income statement as extracted from the OPUS Group Published Accounts on the one hand, and a restatement of such consolidated income statement had they instead been prepared in accordance with the accounting policies presently adopted by the Company. The process applied in the preparation of such restatement is set out below;

(b) A comparison between the OPUS Group's consolidated statement of financial position as extracted from the OPUS Group Published Accounts on the one hand, and a restatement of such consolidated statement of financial position had they instead been prepared in accordance with the accounting policies presently adopted by the Company. The process applied in the preparation of such restatement is also set out below; and

(c) A discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above.

(the reconciliation for the OPUS Group Published Accounts is referred to as the "Reconciliation Information").

Basis of Preparation

The Reconciliation Information for each of the three years ended 30 June 2014 is prepared by restating the "Unadjusted Financial Information of OPUS Group" of the OPUS Group as if it had been prepared in accordance with the accounting policies presently adopted by the Company, if any.

Reconciliation Process

The Reconciliation Information has been prepared by the Directors by comparing the differences between the accounting policies adopted by the OPUS Group for each of the three years ended 30 June 2014 on the one hand, and the accounting policies presently adopted by the Company on the other hand and in accordance with the basis of preparation in respect of each of the three years ended 30 June 2014, as appropriate, and quantifying the relevant material financial effects of such differences, if any. Your attention is drawn to the fact that as the Reconciliation Information has not been subject to an independent audit and accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the OPUS Group's financial positions as at 30 June 2014, 2013 and 2012, nor its results for the year then ended under the accounting policies presently adopted by the Company.

BDO Limited was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the Reconciliation Information. The work consisted primarily of:

(i) Comparing the "Unadjusted Financial Information of OPUS Group" as set out below in the section entitled "OPUS Group's Unaudited Adjusted Financial Information under the Company's Accounting Policies" with the OPUS Group Published Accounts, as appropriate;

(ii) Considering the adjustments made and evidence supporting the adjustments made in arriving at the "Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies", which includes examining the differences between the OPUS Group's accounting policies and the Company's accounting policies; and

(iii) Checking the arithmetic accuracy of the computation of the "Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies".

BDO Limited's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, BDO Limited did not express an audit opinion nor a review conclusion on the Reconciliation Information. BDO Limited's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, BDO Limited has concluded that:

(i) The "Unadjusted Financial Information of OPUS Group" as set out in the section entitled "OPUS Group's Unaudited Adjusted Financial Information under the Company's Accounting Policies" is in agreement with the OPUS Group Published Accounts;

(ii) The adjustments reflect, in all material respects, the differences between the OPUS Group's accounting policies and the Company's accounting policies; and

(iii) The computation of "Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies" is arithmetically accurate.

OPUS Group's Unaudited Adjusted Financial Information under the Company's Accounting Policies

The OPUS Group Published Accounts have been prepared and presented in accordance with the accounting policies adopted by the OPUS Group. There are no material differences between the OPUS Group's consolidated financial statements for each of the three years ended 30 June 2014, 2013 and 2012 compared to that applying the accounting policies presently adopted by the company other than the depreciation of property, plant and equipment.

The consolidated statements of cash flows are not presented as there are no significant differences except for presentation differences. Your attention is drawn to the fact that the work is not carried out in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, BDO Limited did not express an audit opinion nor a review conclusion on the Reconciliation Information.

Unaudited Adjusted Consolidated Statement of Comprehensive Income under the Company's Accounting Policies

	For the year ended 30 June								
	2014			2013			2012		
	Unadjusted Financial Information of OPUS Group (Audited) *AUD$'000*	Adjustment (Unaudited) *AUD$'000* *(Note 1)*	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited) *AUD$'000*	Unadjusted Financial Information of OPUS Group (Restated) *AUD$'000* *(Note 2)*	Adjustment (Unaudited) *AUD$'000* *(Note 1)*	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited) *AUD$'000*	Unadjusted Financial Information of OPUS Group (Restated) *AUD$'000* *(Note 2)*	Adjustment (Unaudited) *AUD$'000* *(Note 1)*	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited) *AUD$'000*
Revenue from continuing operations	116,873	–	116,873	116,824	–	116,824	96,068	–	96,068
Other Income	1,145	–	1,145	1,165	–	1,165	604	–	604
Changes in inventories of finished goods, materials and work in progress	(34,149)	–	(34,149)	(33,134)	–	(33,134)	(25,668)	–	(25,668)
Other production costs and freight	(19,058)	–	(19,058)	(18,896)	–	(18,896)	(15,584)	–	(15,584)
Employee benefits expense	(40,499)	–	(40,499)	(39,994)	–	(39,994)	(31,981)	–	(31,981)
Occupancy costs	(5,417)	–	(5,417)	(4,941)	–	(4,941)	(4,192)	–	(4,192)
Depreciation and amortisation expense	(7,070)	(68)	(7,138)	(8,237)	(64)	(8,301)	(7,199)	23	(7,176)
Impairment of property, plant and equipment	–	–	–	–	–	–	(114)	–	(114)
Impairment of goodwill	(38,088)	–	(38,088)	–	–	–	–	–	–
Impairment of investment in associate	(182)	–	(182)	–	–	–	–	–	–
(Loss)/Gain on disposal of assets	(43)	30	(13)	3,465	32	3,497	–	–	–
Cost of closing interest rate swaps	–	–	–	–	–	–	(515)	–	(515)
Realised foreign exchange loss	(52)	–	(52)	(34)	–	(34)	(30)	–	(30)
Other expenses	(8,517)	–	(8,517)	(10,028)	–	(10,028)	(7,116)	–	(7,116)
Operating profit/(loss) before finance costs	(35,057)	(38)	(35,095)	6,190	(32)	6,158	4,273	23	4,296

	For the year ended 30 June								
	2014			2013			2012		
	Unadjusted Financial Information of OPUS Group (Audited)	Adjustment (Unaudited)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited)	Unadjusted Financial Information of OPUS Group (Restated)	Adjustment (Unaudited)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited)	Unadjusted Financial Information of OPUS Group (Restated)	Adjustment (Unaudited)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited)
	AUD$'000	*AUD$'000* *(Note 1)*	*AUD$'000*	*AUD$'000* *(Note 2)*	*AUD$'000* *(Note 1)*	*AUD$'000*	*AUD$'000* *(Note 2)*	*AUD$'000* *(Note 1)*	*AUD$'000*
Finance revenue	41	–	41	53	–	53	58	–	58
Finance expenses	(7,303)	–	(7,303)	(6,715)	–	(6,715)	(5,178)	–	(5,178)
Net finance costs	(7,262)	–	(7,262)	(6,662)	–	(6,662)	(5,120)	–	(5,120)
Share of net profit/(loss) of associate	11	–	11	(116)	–	(116)	(14)	–	(14)
(Loss) before income tax	(42,308)	(38)	(42,346)	(588)	(32)	(620)	(861)	23	(838)
Income tax (expense)/benefit	(4,765)	–	(4,765)	(2,259)	–	(2,259)	(953)	–	(953)
(Loss) after income tax	(47,073)	(38)	(47,111)	(2,847)	(32)	(2,879)	(1,814)	23	(1,791)
Other comprehensive income/(loss)									
Changes in fair value of cash flow hedges (net of tax)	(88)	–	(88)	95	–	95	(836)	–	(836)
Exchange differences on translation of foreign operations	1,798	–	1,798	1,320	–	1,320	315	–	315
Other comprehensive income/(loss) for the full year, net of tax from continuing operations	1,710	–	1,710	1,415	–	1,415	(521)	–	(521)
Total comprehensive income for the full year	**(45,363)**	**(38)**	**(45,401)**	**(1,432)**	**(32)**	**(1,464)**	**(2,335)**	**23**	**(2,312)**

Unaudited Adjusted Consolidated Statement of Financial Position under the Company's Accounting Policies

	As at 30 June								
	2014			2013			2012		
	Unadjusted Financial Information of OPUS Group (Audited) AUD$'000	Adjustment (Unaudited) AUD$'000 (Note 1)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited) AUD$'000	Unadjusted Financial Information of OPUS Group (Restated) AUD$'000 (Note 2)	Adjustment (Unaudited) AUD$'000 (Note 1)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited) AUD$'000	Unadjusted Financial Information of OPUS Group (Restated) AUD$'000 (Note 2)	Adjustment (Unaudited) AUD$'000 (Note 1)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited) AUD$'000
Current assets									
Cash	3,516	–	3,516	3,163	–	3,163	4,443	–	4,443
Trade and other receivables	13,640	–	13,640	12,641	–	12,641	16,088	–	16,088
Inventories	4,735	–	4,735	5,127	–	5,127	7,270	–	7,270
Other current assets	1,960	–	1,960	2,375	–	2,375	1,630	–	1,630
Assets classified as held for sale	–	–	–	70	–	70	98	–	98
Assets of disposal group	–	–	–	12,592	–	12,592	–	–	–
Income tax receivable	–	–	–	–	–	–	272	–	272
Total current assets	23,851	–	23,851	35,968	–	35,968	29,801	–	29,801
Non-current assets									
Investments accounted for using the equity method	611	–	611	782	–	782	1,038	–	1,038
Property, plant and equipment	24,891	(361)	24,530	28,132	(323)	27,809	40,006	(291)	39,715
Deferred tax assets	–	–	–	4,108	–	4,108	5,741	–	5,741
Intangibles	16,779	–	16,779	46,750	–	46,750	50,513	–	50,513
Other non-current assets	995	–	995	1,264	–	1,264	–	–	–
Total non-current assets	43,276	(361)	42,915	81,036	(323)	80,713	97,298	(291)	97,007
Total assets	67,127	(361)	66,766	117,004	(323)	116,681	127,099	(291)	126,808
Current liabilities									
Bank overdraft	1,500	–	1,500	1,500	–	1,500	–	–	–
Trade and other payables	14,183	–	14,183	12,108	–	12,108	17,145	–	17,145
Provision for income tax	558	–	558	1,298	–	1,298	848	–	848
Derivative financial instruments	1,053	–	1,053	717	–	717	1,253	–	1,253
Interest bearing liabilities	50,964	–	50,964	29,963	–	29,963	6,176	–	6,176
Provisions	5,854	–	5,854	5,283	–	5,283	5,192	–	5,192
Liabilities of disposal group	–	–	–	2,807	–	2,807	–	–	–
Total current liabilities	74,112	–	74,112	53,676	–	53,676	30,614	–	30,614

	As at 30 June								
	2014			2013			2012		
	Unadjusted Financial Information of OPUS Group (Audited)	Adjustment (Unaudited)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited)	Unadjusted Financial Information of OPUS Group (Restated)	Adjustment (Unaudited)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited)	Unadjusted Financial Information of OPUS Group (Restated)	Adjustment (Unaudited)	Adjusted Financial Information of the OPUS Group under the Company's Accounting Policies (Unaudited)
	AUD$'000	*AUD$'000* *(Note 1)*	*AUD$'000*	*AUD$'000* *(Note 2)*	*AUD$'000* *(Note 1)*	*AUD$'000*	*AUD$'000* *(Note 2)*	*AUD$'000* *(Note 1)*	*AUD$'000*
Non-current liabilities									
Derivative financial instruments	–	–	–	845	–	845	543	–	543
Interest bearing liabilities	1,398	–	1,398	28,665	–	28,665	61,105	–	61,105
Provisions	553	–	553	1,042	–	1,042	400	–	400
Deferred tax liabilities	604	–	604	730	–	730	959	–	959
Total non-current liabilities	2,555	–	2,555	31,282	–	31,282	63,007	–	63,007
Total liabilities	76,667	–	76,667	84,958	–	84,958	93,621	–	93,621
Net (liabilities)/assets	(9,540)	(361)	(9,901)	32,046	(323)	31,723	33,478	(291)	33,187
Equity									
Share capital	43,130	–	43,130	39,353	–	39,353	39,353	–	39,353
Reserves	1,395	–	1,395	(315)	–	(315)	(1,730)	–	(1,730)
Accumulated losses	(54,065)	(361)	(54,426)	(6,992)	(323)	(7,315)	(4,145)	(291)	(4,436)
Total equity	(9,540)	(361)	(9,901)	32,046	(323)	31,723	33,478	(291)	33,187

Note 1: Depreciation of Property, Plant and Equipment

Under OPUS Group's Accounting Policies, depreciation is charged to profit and loss on either straight-line method or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. In comparison, the Company's accounting policy is to depreciate property, plant and equipment over their estimated useful lives using straight-line method.

Had the OPUS Group adopted straight-line method in all items in the property, plant and equipment, the impact to the adjustments on profit or loss for each of the three years ended 30 June 2014 and on the carrying amount of assets, liabilities and equity as at 30 June 2014, 2013 and 2012 would have been as follows:

	Year ended 30 June		
	2014	**2013**	**2012**
	AUD$'000	*AUD$000*	*AUD$'000*
Depreciation and amortisation expense (increase) decrease	(68)	(64)	23
Gain on disposals of assets increase	30	32	–

	As at 30 June		
	2014	**2013**	**2012**
	AUD$'000	*AUD$000*	*AUD$'000*
Decrease in property, plant and equipment	(361)	(323)	(291)
Increase in accumulated losses as at beginning of the year	(323)	(291)	(314)

Note 2: Restatement of prior year reported balances

Certain balances have been restated in accordance with note 34 in OPUS Group Published Accounts for the year ended 30 June 2014.

1. INTRODUCTION

The following unaudited pro forma statement of assets and liabilities has been prepared by the directors of the Company in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set out below for the purpose of illustrating the effect of the completion of Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program on the statement of assets and liabilities of the Group as at 30 June 2014.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards, based on the unaudited consolidated statement of financial position of the Group as at 30 June 2014 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2014 which have been published on the website of the Stock Exchange and the website of the Company, the audited statement of financial position of the OPUS Group as at 30 June 2014 (translated at the exchange rate of AUS$1:HK$7.3) as extracted from the financial information of the OPUS Group set out in Appendix II to this circular as if the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program had been completed on 30 June 2014.

The unaudited pro forma statement of assets and liabilities is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The accompanying unaudited pro forma statement of assets and liabilities has been prepared by the directors of the Company for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its nature, the unaudited pro forma statement of assets and liabilities may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program. Further, the unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 30 June 2014 (Unaudited) *HK$'000*	**The OPUS Group as at 30 June 2014 (Audited)** *HK$'000*	**Pro forma adjustments (Unaudited)** *HK$'000*	*Notes*	**Pro forma Enlarged Group (Unaudited)** *HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	192,862	181,704			374,566
Investment properties	10,040	–			10,040
Intangible assets	65,931	122,487			188,418
Deferred tax assets	10,837	–			10,837
Interest in associates	–	4,460			4,460
Other non-current assets	–	7,264			7,264
	279,670	315,915			595,585
Current assets					
Inventories	114,017	34,566			148,583
Trade and other receivables and deposits	406,794	113,880			520,674
Held-to-maturity investments	61,849	–			61,849
Amount due from the OPUS Group	–	–	152,424	(b)(i)(a)	–
			(152,424)	(b)(iv)	
Cash at banks and in hand	133,932	25,667	(152,424)	(b)(i)(a)	59,677
			(6,263)	(b)(ii)	
			51,100	(b)(vi)	
			7,665	(b)(vii)	
	716,592	174,113			790,783

	The Group as at 30 June 2014 (Unaudited) *HK$'000*	The OPUS Group as at 30 June 2014 (Audited) *HK$'000*	Pro forma adjustments (Unaudited) *HK$'000*	*Notes*	Pro forma Enlarged Group (Unaudited) *HK$'000*
Current liabilities					
Trade and other payables	207,503	146,270	(6,263)	(b)(ii)	347,510
Financial liabilities at fair value through profit or loss	1,818	–			1,818
Derivative financial instruments	–	7,687	(7,687)	(b)(iii)	–
Bank borrowings	89,747	374,359	(374,359)	(b)(i)(b)	89,747
Amount due to the Group	–	–	360,489	(b)(i)(b)	–
			(152,424)	(b)(iv)	
			(208,065)	(b)(v)	
Finance lease liabilities	–	8,629			8,629
Provision for taxation	8,499	4,073			12,572
	307,567	541,018			460,276
Net current assets/(liabilities)	409,025	(366,905)			330,507
Total assets less current liabilities	688,695	(50,990)			926,092
Non-current liabilities					
Finance lease liabilities	–	10,205			10,205
Provision	–	4,037			4,037
Promissory notes	–	–	13,870	(b)(i)(b)	13,870
Deferred tax liabilities	979	4,409			5,388
	979	18,651			33,500
Net assets/(liabilities)	687,716	(69,641)			892,592

NOTES TO UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(a) On 25 July 2014, CBA accepted in-principle the Offer Letters issued by the Bookbuilders, an indirectly wholly owned subsidiary of the Company, pursuant to which the Bookbuilders would acquire the CBA Debt by way of novation. The Novation Documentation had been signed by the Bookbuilders and CBA on 30 July 2014 to reflect the terms of Offer Letters and other conditions suggested by CBA when giving its acceptance in-principle. Pursuant to the Novation Documentation, the OPUS Group paid CBA an amount of AUS$1,200,000 in respect of outstanding accrued interest and there was a cancellation of all hedged transactions between CBA and the OPUS Group upon the Acquisition. A cash consideration of AUS$20.88 million was paid on 31 July 2014. To the understanding of the Company, despite the Acquisition, OPUS has agreed to pay CBA AUS$1.9 million together with interest at a rate of 6% per annum on 30 July 2015 and the OPUS Group paid CBA an amount of AUS$1,200,000 in respect of the outstanding accrued interest.

On 4 September 2014, Bookbuilders (as creditor) and OPUS (as debtor) entered into the Recapitalisation Deed which involves the Conversion of the CBA Debt into OPUS(C) Shares. Subject to the terms and conditions of the Recapitalisation Deed and the approval of the Recapitalisation Program by the OPUS Shareholders, (i) Bookbuilders agrees to convert approximately AUS$20.88 million, representing the entire consideration paid by Bookbuilders to acquire the CBA Debt, to 59,657,143 OPUS(C) Shares; (ii) Bookbuilders agrees to forgive the balance of principal amount of CBA Debt; (iii) there is placement of a total of 20,000,000 OPUS(C) Shares to a director of OPUS and his related party, and professional and sophisticated investors at an issue price of AUS$0.35 per OPUS(C) Shares; and (iv) there is share purchase plan by issuing up to 3,000,000 OPUS(C) Shares to eligible existing OPUS's shareholders at an issue price of AUS$0.35 per OPUS(C) Shares (the "Share Purchase Plan").

Upon the completion of the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program, the Group holds 61.02% equity interest on the OPUS Group and the OPUS Group is considered by the directors of the Company as a subsidiary of the Company as the OPUS Group is controlled by the Group after the completion of the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program. The consolidated statement of financial position of the OPUS Group will be consolidated into those of the Group from the date on which control is transferred to the Group, which is assumed to be the date of the Conversion.

(b) The adjustments are to reflect the effect of the completion of Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program on the unaudited pro forma statement of assets and liabilities of the Enlarged Group as if the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program had been completed on 30 June 2014.

(i) This represents cash consideration of AUS$20,880,000 (equivalent to HK$152,424,000) paid by the Group on 31 July 2014 for the acquisition of CBA Debt of AUS$49,382,000 (equivalent to HK$360,489,000), after deducting the promissory note of AUS$1,900,000 (equivalent to HK$13,870,000) to be payable to CBA by the OPUS Group on 30 July 2015. The Group is the lender and the OPUS Group is a borrower accordingly.

(a) A cash consideration of AUS$20,880,000 (equivalent to HK$152,424,000) paid and amount due from the OPUS Group of the same amount are recognised by the Group.

(b) Due to the acquisition of CBA Debt by the Group, the bank borrowings of AUS$51,282,000 (equivalent to HK$374,359,000) is reclassified as amount due to the Group of AUS$49,382,000 (equivalent to HK$360,489,000) and promissory note of AUS$1,900,000 (equivalent to HK$13,870,000) by the OPUS Group.

(ii) Pursuant to the Novation Documentation, the OPUS Group paid CBA an amount of AUS$1,200,000 in respect of the outstanding accrued interest. As at 30 June 2014, the accrued interest of AUS$858,000 (equivalent to HK$6,263,000) has been incurred. This represents the payment of interest of AUS$858,000 (equivalent to HK$6,263,000) as if the Acquisition had been completed on 30 June 2014.

(iii) This represents the cancellation of interest rate swaps upon the Acquisition.

(iv) This represents the conversion of 59,657,143 OPUS(C) Shares in an amount of AUS$20,880,000 (equivalent to HK$152,424,000).

(v) This represents the difference between the CBA Debt of AUS$49,382,000 (equivalent to HK$360,489,000) and the fair value of OPUS(C) Shares converted of AUS$20,880,000 (equivalent to HK$152,424,000) as mentioned in (iv) above amounted to AUS$28,502,000 (equivalent to HK$208,065,000) which the OPUS Group need not to repay to the Group because of the debt for equity swap under Recapitalisation Deed. As a result, amount due to the Group of AUS$28,502,000 (equivalent to HK$208,065,000) is derecognised and a gain of the same amount is recognised by the OPUS Group.

(vi) This represents the placement of a total of 20,000,000 OPUS(C) Shares to a director of OPUS and his related party, and professional and sophisticated investors at an issue price of AUS$0.35 per OPUS(C) Shares. In total, an amount of AUS$7,000,000 (equivalent to HK$51,100,000) is received.

(vii) This represents the issue of 3,000,000 OPUS(C) Shares in an amount of AUS$1,050,000 (equivalent to HK$7,665,000), in accordance with the Share Purchase Plan.

(c) Details of gain on bargain purchase arising on the Acquisition and Subsequent Conversion of CBA Debt are as follows:

	HK$'000
Cash consideration *(note (b)(i))*	152,424
Less:	
Fair value of net identifiable assets of the OPUS Group to be acquired	
- Net identifiable liabilities *(note (i))*	(69,641)
- Debt for equity swap *(notes (b)(v) and (ii))*	360,489
- Cancellation of interest rate swaps *(note (b)(iii))*	7,687
- Placing *(note (b)(vi))*	51,100
- Share Purchase Plan *(note (b)(vii))*	7,665
	357,300
61.02% interest	218,024
Gain on bargain purchase	(65,600)

Notes:

(i) This represents the net identifiable liabilities of the OPUS Group as extracted from the financial information of the OPUS Group set out in Appendix II.

(ii) Please refer to note (b)(v) above. As the OPUS Group has unrecognised deferred tax assets, the tax effect on the loan forgiveness of AUS$8,551,000 (equivalent to HK$62,419,000) has been net off.

On Conversion, the fair values of cost of investment and net identifiable assets to be acquired will have to be reassessed and accordingly, their fair values at the date of Conversion will be different from those for the preparation of the unaudited pro forma statement of assets and liabilities. As a result, the amount of gain on bargain purchase may be different from that estimation based on the basis, as stated above, used in the preparation of the unaudited pro forma statement of assets and liabilities. Accordingly, the actual gain on bargain purchase at the date of Conversion may be different from that presented above.

(d) The financial statements of the OPUS Group has been translated at the rate of AUS$1:HK$7.3 as at 30 June 2014.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of an accountant's report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix III.

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24 October 2014

The Directors
1010 Printing Group Limited
Units 2&3, 5/F, Lemmi Centre
50 Hoi Yuen Road, Kwun Tong
Hong Kong

Dear Sirs

1010 PRINTING GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma statement of assets and liabilities of 1010 Printing Group Limited and its subsidiaries (collectively referred to as the "Group") for illustrative purposes only. The unaudited pro forma statement of assets and liabilities as at 30 June 2014 has been prepared by the directors as set out on pages III-2 to III-3 of the circular dated 24 October 2014 (the "Circular") issued by the Company in connection with the acquisition and subsequent conversion of Commonwealth Bank of Australian's debt to OPUS Group Limited (the "OPUS", together with its subsidiaries collectively referred to as the "OPUS GROUP")'s shares (the "Acquisition and Subsequent Conversion of CBA Debt"). The Group and the OPUS Group are collectively referred to as the "Enlarged Group". The applicable criteria on the basis of which the directors have compiled the unaudited pro forma statement of assets and liabilities are described on pages III-1 to III-4 of the Appendix III to the Circular.

The unaudited pro forma statement of assets and liabilities has been compiled by the directors to illustrate the impact of the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program on the Group's financial position as at 30 June 2014 as if the Acquisition and Subsequent Conversion of CBA Debt and Recapitalisation Program had taken place on 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited interim financial statements for the six months ended 30 June 2014 which was published on 21 August 2014. The information about the OPUS Group's financial position for the year ended 30 June 2014 has been extracted by the directors from Appendix II of this Circular.

Directors' Responsibilities for the unaudited pro forma statement of assets and liabilities

The directors are responsible for compiling the unaudited pro forma statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities for the unaudited pro forma statement of assets and liabilities

Our responsibility is to express an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules on the unaudited pro forma statement of assets and liabilities and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of assets and liabilities beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma statement of assets and liabilities in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updated or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma statement of assets and liabilities, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma statement of assets and liabilities.

The purpose of the unaudited statement of assets and liabilities included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma statement of assets and liabilities has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma statement of assets and liabilities provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria: and

- the unaudited pro forma statement of assets and liabilities reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Enlarged Group, the event or transaction in respect of which the unaudited pro forma statement of assets and liabilities has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma statement of assets and liabilities.

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

Opinion

In our opinion:

(a) the unaudited pro forma statement of assets and liabilities has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of assets and liabilities as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

Yours faithfully

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018

1. RESPONSIBILITY OF THE DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to in section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(a) Interests in Shares of the Company

Name of Director	Nature of interest	No. of Shares held	Approximate % of issued share capital of the Company
Lau Chuk Kin *(Note)*	Beneficial owner/ Interest of controlled corporation	302,483,533	39.28%
Yang Sze Chen Peter	Beneficial owner	556,000	0.07%
Li Hoi, David	Beneficial owner	6,160,000	0.80%
Lam Wing Yip	Beneficial owner	1,060,048	0.14%

Note: Of 302,483,533 Shares, 678,910 Shares, 258,135,326 Shares and 8,297,391 Shares were beneficially owned by Cinderella, City Apex and ER2 respectively. As at the Latest Practicable Date, (i) Cinderella was owned as to 53.34% by City Apex and as to 1.70% by ER2; (ii) City Apex was owned as to 77% by ER2, which was in turn owned as to 67% by Mr. Lau Chuk Kin. Accordingly, Mr. Lau Chuk Kin was deemed to be interested in the Shares held by ER2, City Apex and Cinderella pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to in section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE COMPANY

As at the Latest Practicable Date, so far as was known to any Directors or chief executive of the Company, the following persons had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or had any options in respect of such capital:

(a) Interests in shares of the Company:

Name of the Shareholders	Nature of interests	No. of Shares held	Approximate % of issued share capital of the Company
Mr. Lau Chuk Kin *(Note)*	Beneficial owner/ Interest in controlled corporation	302,483,533	39.28%
ER2 *(Note)*	Beneficial owner/ Interest in controlled corporation	267,111,627	34.69%
City Apex *(Note)*	Beneficial owner/ Interest in controlled corporation	258,814,236	33.61%

Note: Of 302,483,533 Shares, 678,910 Shares, 258,135,326 Shares and 8,297,391 Shares were beneficially owned by Cinderella, City Apex and ER2 respectively. As at the Latest Practicable Date, (i) Cinderella was owned as to 53.34% by City Apex and as to 1.70% by ER2; (ii) City Apex was owned as to 77% by ER2, which was in turn owned as to 67% by Mr. Lau Chuk Kin. Accordingly, Mr. Lau Chuk Kin was deemed to be interested in the Shares held by ER2, City Apex and Cinderella pursuant to Part XV of the SFO.

(b) Interests in shares of other members of the Enlarged Group

(i) OPUS

Name of shareholders	Nature of interest	No. of Shares held	Approximate % of issued share capital of the member of the Enlarged Group
Knox Investment Partners Limited and its associated funds	Beneficial owner/ Interest of controlled corporation	87,032,425	57.59%
Richard Celarc *(Note 2)*	Beneficial owner/ Interest of controlled corporation	37,015,703	24.49%

Notes:

1. Of 87,032,425 shares, 68,260,002 shares, 8,347,447 shares, 8,100,784 shares, 2,302,846 shares and 21,346 shares were held by Knox OPUS LP, Knox Investment Partners Fund III AUD 5 Fund Limited, Knox Investment Partners Fund III AUD 4 Fund Limited, Takatimu Investments Limited and Knox Investment Partners Fund III AUD 3 Fund Limited respectively. Knox Investments Partners Limited was deemed to be interested in all the shares held by these parties.

2. Of 37,015,703 shares, 7,747,754 shares, 83,873 shares and 29,184,076 shares were held by Richard Celarc as trustee for the Richard Celarc Family Trust, Navigator Australia Limited as custodian for Richard Celarc and D.M.R.A. Property Pty Limited respectively. Richard Celarc was deemed to be interested in all the shares held by these parties.

Save as disclosed above, there is no person known to the Directors or chief executive of the Company, who, as at the Latest Practicable Date, had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group, or had any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive Directors, namely Mr. Yeung Ka Shing, Professor Li Hau Leung, Mr. Tsui King Chung, David and Dr. Ng Lai Man, Carmen entered into a service contract with the Company for a term commencing from 25 July 2014 to 31 December 2016 and which may be terminated by not less than three months' notice in writing served by either party on the other.

None of the Directors has entered into service contract with any member of the Enlarged Group or has any service contract with any member of the Enlarged Group which is not determinable by such relevant member within one year without payment of compensation other than statutory compensation.

5. INTEREST IN GROUP ASSETS

On 1 September 2014, Naturbest Investment Limited, an indirect wholly owned subsidiary of the Company and Mr. Li Hoi, David entered into a share transfer agreement to dispose of their respective interest in the entire issued share capital of Express Ocean Investment Limited to Recruit Human Resources Limited at a consideration of HK$13,720,000 and HK$3,480,000 respectively. The share transfer was completed on 4 September 2014.

By virtue of his indirect shareholding in Recruit Human Resources Limited, Mr. Lau Chuk Kin is interested in the shares in Express Ocean Investment Limited disposed of by the Group.

Save as disclosed above, none of the Directors is interested in any assets which have been, since 31 December 2013, being the date of the latest audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director is materially interested and which is significant in relation to the business of the Enlarged Group.

6. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2013, being the date of the latest audited consolidated financial statements of the Group were made up.

7. EXPERT QUALIFICATION, CONSENT AND INTEREST

The following are the qualifications of the experts whose report is contained or referred to in this circular:

Name	**Qualification**
BDO Limited, Hong Kong	Certified Public Accountants

The abovementioned experts have given and have not withdrawn their written consent to the issue of this circular with their letter or report and/or references to their names included in the form and context in which they are included.

As at the Latest Practicable Date, BDO Limited:

(a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) were not interested, directly or indirectly, in any assets which had since 31 December 2013 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration or claim of material importance, and no such litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The Group and OPUS Group has entered into the following material contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this circular:

(a) the share transfer agreement dated 12 December 2012 and entered into among (1) David Leo Martin, (2) Tifan Investments S.A., (3) Derek Keith Freeman, (4) Lam Seow Long, (5) Chu Chun Wan, (6) Chan Tze Hing, (7) Ho Ping Nam, (8) Wong Kwan Lap, Stephen, (9) Andrew Clarke, (10) Investor Vantage Limited, (11) Asia Pacific Offset Limited and (12) the Company (as supplemented on 27 December 2013) in relation to the acquisition of the entire issued share capital of Asia Pacific Offset Limited by Investor Vantage Limited at a consideration of HK$158.24 million;

(b) the underwriting agreement dated 22 February 2013 and entered into between the Company and Recruit (BVI) Limited in relation to the rights issue of 200,000,000 Shares at HK$0.50 each on the basis of 2 new Shares for every 5 existing Shares held by the then existing Shareholders whose names appear on the register of members of the Company on 14 March 2013;

(c) the Offer Letters;

(d) the Novation Documentation;

(e) the Standby Letter of Credit;

(f) the Loan Agreement;

(g) the Recapitalisation Deed;

(h) the share transfer agreement dated 1 September 2014 and entered into among Recruit Human Resources Group Limited, Naturbest Investment Limited and Li Hoi, David in relation to the disposal of 80% and 20% of the issued share capital of Express Ocean Investment Limited at a consideration of HK$13,920,000 and HK$3,480,000 respectively; and

(i) an enterprise workplace agreement dated 15 August 2012 entered into among McPherson's Printing Pty Limited, its employees and The Automative, Food, Metals, Engineering, Printing and Kindred Industries Union in relation to the production and workplace environment utilisation of equipment and technology at Maryborough Sites of McPherson's Printing Pty Ltd.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Units 2&3, 5/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong during the normal business hours from 10:00 a.m. to 5:00 p.m. on any Business Day for a period of 14 days from the date of this circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the service contracts referred to in the paragraph headed "**DIRECTORS' SERVICE CONTRACTS**" in this Appendix;

(c) the material contracts referred to in the paragraph headed "**MATERIAL CONTRACTS**" in this Appendix;

(d) the report on unaudited pro forma financial information of the Enlarged Group prepared by BDO Limited, the text of which is set out in Appendix III of this circular;

(e) the written consent as referred to in the paragraph headed "**EXPERT'S QUALIFICATION CONSENT AND INTEREST**" in this Appendix;

(f) the annual report of the Company for the two financial years ended 31 December 2012 and 31 December 2013;

(g) the audited financial information of OPUS for the three financial years ended 30 June 2014 prepared in accordance with Australian Accounting Standards, other authoritative pronouncement of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001 of Australia and in compliance with IFRS as set out in Appendix II to this circular; and

(h) this circular.

11. GENERAL

(a) The company secretary of the Company is Ms. Tan Lai Ming, a fellow member of The Hong Kong Institute of Certified Public Accountants;

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda;

(c) The head office and principal place of business of the Company is at Units 2&3, 5/F, Lemmi Centre, 50 Hoi Yuen Road, Kwun Tong, Hong Kong;

(d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.