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ASX Company Announcements

11 January 2013

The Manager
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Riverwise Pty Limited and its controlled entities

Annual Report for the year ended 30 June 2012

Further to Listing Rules 3.1 and 4.8, please find attached the Annual Report for the year ended 30 June 2012 for Riverwise Pty Limited ("RPL").

As announced on 22 October, Armidale Investment Corporation Limited (AIK) holds 14.97% of RPL shares on issue.

RPL is the sole shareholder of Leading Edge Group Limited (LEG). LEG is an Australian owned company that operates as a telecommunication distributor and Buying Group. It also owns Telstra Business Centres in Victoria and New South Wales, retail and business to business distribution for Telecom New Zealand and is a significant BT distributor in the United Kingdom. Its Buying Group Members have over 1,350 retail shopfronts throughout Australia and New Zealand.

For further information please contact:

Andrew Grant
Executive Director
0415 166 090

David Franks
Company Secretary
02 9299 9690

Riverwise Pty Limited and its controlled entities

ABN 20 084 303 408

Annual Report

30 June 2012

Contents

Directors' report
For the year ended 30 June 2012

The directors present their report together with the consolidated financial statements of the Group comprising of Riverwise Pty Limited (the Company) and its subsidiaries, and the Group's interest in associates for the financial year ended 30 June 2012 and the auditor's report thereon.

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

Cameron S. McCullagh (B.Bus)	Non-executive director and Chairman (to 5 December 2012) Extensive experience in management and financial operations. Managing Director of Employers Mutual Management Pty Ltd and ASWIG Management Pty Ltd and Chairman of White Outsourcing Pty Ltd. Director of Hotel Employers Mutual and Steadfast Group Limited. Mr. McCullagh was previously Chief Executive Officer of Employers Mutual Ltd 2001-2008, has over 17 years experience in outsourced contract management and over 30 years experience in financial management.
David L. Mills (BA, LLB)	Non-executive director, Chairman from 5 December 2012 Extensive legal experience, Mr. Mills is Chairman of the Remuneration and Legal Committee and member of the Audit Committee.
Stephen B. Humphrys (FCA)	Non-executive director, Managing Partner of Moore Stephens Sydney, Chartered Accountants; Registered Tax Agent, Chairman of the Audit Committee and member of the Remuneration and Legal Committee.
Anthony N. Middlebrook	Managing Director from 5 December 2011, Business studies, Monash University and Harvard Business School, Extensive business experience, Appointed on 5 December 2011. Resigned on 4 December 2012.
Gavin C. Ward	Director, and Joint Chief Executive Officer to 14 December 2011, Extensive sales, marketing and managerial experience throughout the Australasian region. Involved in the development of the Group over the last 16 years, Resigned on 14 December 2011.
Simon S. Allison (BSC, B.Bus, ASA, MACID)	Director, and Joint Chief Executive Officer, Chief Financial Officer to 12 January 2012, Extensive experience in the financial operations of organisations in the IT and telecommunications sectors, Resigned on 12 January 2012.

Unless otherwise stated, the directors held office for the entire period.

2 Company secretary
David L. Mills (BA, LLB) was appointed to the position of Company Secretary on 29 May 2000. Mr. Mills has extensive experience in legal practice and has held Company Secretariats throughout his career.

3 Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Board Meetings		Audit Committee Meetings		Remuneration and Legal Committee Meetings	
	A	B	A	B	A	B
Cameron S. McCullagh	10	12	-	-	-	-
David L. Mills	12	12	4	4	4	4
Stephen B. Humphrys	12	12	4	4	4	4
Anthony N. Middlebrook	6	6*	-	-	-	-
Gavin C. Ward	6	6*	-	-	-	-
Simon S. Allison	6	6*	-	-	-	-

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year
* Gavin Ward and Simon Allison resigned as a director in December 2011 and January 2012 respectively. Anthony Middlebrook was appointed as a director in December 2011.

4 Principal activities

The principal activities of the Group during the course of the financial year were:

- Membership Group services. The Group provides services to one of the largest groups of independent retailers in Australia;
- Telecommunications product distribution in Australia, New Zealand and the United Kingdom; and
- IT consulting services.

During the year the Group closed the majority of its company-operated Australian Telecommunication, Music and Jewellery retail outlets.

5 Operating and financial review

The Group has focused its efforts on its two key areas of expected profit growth: Telecommunications Distribution (Australia, New Zealand and the United Kingdom) and Membership based Buying Groups (Australia and New Zealand).

The revenue growth in the Telecommunications Distribution business has increased from $63.5 million in 2011 to $72 million in 2012. The Group are an efficient and effective operator in these markets and see great opportunities to work more closely with the Group's Telcom partners (Telstra, British Telecom and Telecom New Zealand) as an outsourced distribution channel. The Group's expansion in each of our markets over the last year and expected continued expansion is exciting.

The Buying Group operations support the Group's 1,078 retail members (1,025 in 2011). The Group have restructured to lower the cost of providing services, including the $255.5 million of central buying revenue ($275.9 million in 2011). The Group will continue to drive efficiencies and expand the number of members to support the services to members while providing returns to shareholders.

The focus on Telecommunications Distribution and Buying Groups has meant that the Group have closed unprofitable operations including the leasing business and company owned Australian retail stores and is confident that each division is now profitable.

5 Operating and financial review (continued)

In the year ended 30 June 2012 there was positive cashflow of $3 million from operations. The Group expect an increased cashflow from operations in the current year as a result of the restructuring, closing loss making operations and reducing operating costs.

The loss after tax of the Group for the year ended 30 June 2012 was $826,000 (restated 2011: loss $10,489,000).

The losses in 2012 included non-recurring restructure and impairment cost of $3.3 million (refer note 6 consolidated financial statements). These costs were necessary to achieve:

- a decrease in operating cost of approximately $4.9 million on an annual basis and $1.4 million in the 2012 year; and
- closure of company owned Australian retail stores as follows:
  - 2 Jewellery, 1 Digital Kodak, 3 Music and 5 Telstra retail stores which contributed $1.3 million to the operating losses (refer note 31).

As a result of the restructuring, the directors expect to generate significant profit in 2013. The Group will continue to focus on profitable growth opportunities, cost control and cost reduction for non profitable operations.

The Group has taken the opportunity to write off $5.4 million (refer note 31) of goodwill, fixtures and fittings, incorrect account entries and valuation of the lease book.

The directors consider that, as a result of the expected post restructure earnings and cash flows, additional loans or capital would be available to support and expand profitable operations.

6 Significant changes in the state of affairs

During 2012 the Board undertook a major restructuring of the business operations. The Group had a Chief Financial Officer (CFO) and Joint Chief Executive Officers (CEO). They were replaced and a major review of the business was conducted. The review identified a number of accounting anomalies that resulted in a change of Auditors and as a result the attached financial statements include significant prior year restatements, refer note 31.

Other major changes in the business operations of the Group include:

- Reform of the management and business structure, resulting in a structure that is aligned to core business activities;
- Outsourcing of back office support functions to the business. This outsourcing included utilising the outsource provider's Sydney and Vietnamese centres to undertake certain processing. Functions that have been outsourced to date include Accounts Receivable, Accounts Payable, Information Technology Infrastructure and Development support;
- Closure of company-operated Australian Telecommunication, Music and Jewellery retail outlets that were historically unprofitable; leaving the Group with two Telstra retail stores and a half-share in a music store; and
- Post 30 June 2012 the Group has also divested its interests in its Golf Group and made changes to the management model for the Lingerie Group.

Directors' report (continued)

For the year ended 30 June 2012

6 Significant changes in the state of affairs (continued)

The Company has strengthened the position of the Group through increasing equity and reducing the obligations of the Group (refer note 23) which includes:

- Undertaking a successful rights issue raising $6.2 million to reduce the level of debt exposure of the Group;
- Conversion of an external loan facility to equity through a share offering, further reducing the debt by $3.2 million; and
- Paying down $1.7 million from the banking facilities associated with the lease book post 30 June 2012.

In the opinion of the directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

7 Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Group during the period covered by this report..

8 Dividends

No dividends were paid or declared by the Company to shareholders in respect of the year ended 30 June 2012 (2011: $1,079,999).

9 Likely developments

The Group continue to seek to identify opportunities for savings in operating costs. It is expected that there will be savings following a further review of New Zealand and the United Kingdom operations and through a possible merger with Armidale Investment Corporation Limited (AIK), a listed investment company whose portfolio includes an investment in a leasing company. AIK is a current shareholder of Riverwise Pty Limited.

Information about further likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

10 Events subsequent to reporting date

In September 2012, the Group paid down its banking facilities associated with the lease book.

On 22 October 2012 AIK acquired 82,236 shares, equivalent to 3.1% of Share Capital. As at the date of this statement AIK shareholding represents 14.18% of the Group.

On 18 December 2012, at a meeting of the Company shareholders, a resolution was passed to terminate the Riverwise shareholders agreement. In addition, it was resolved that a request be made to AIK to make an offer of merger.

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

Directors' report (continued)
For the year ended 30 June 2012

11 Indemnification and insurance of officers and auditors
Indemnification
Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer of the Company.

The Company has not provided any indemnity to its auditors.

Insurance premiums
During the financial year, Leading Edge Group Limited, the subsidiary of the Company, has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ended 30 June 2012 and since the financial year, Leading Edge Group Limited has paid or agreed to pay, premiums in respect of such insurance contracts for the year ending 30 June 2013. Such insurance contracts insure against certain liability (subject to specific exclusions) persons who are or have been directors or executive officers of the Company.

The directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

12 Proceedings on behalf of the Company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

13 Lead auditor's independence declaration
The Lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the financial year ended 30 June 2012.

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

This report is made in accordance with a resolution of the directors:

Stephen B. Humphrys
Director

Dated at Sydney this 24th day of December 2012.

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

To: the directors of Riverwise Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

AR

Andrew Reeves
Partner

Sydney

24 December 2012

Consolidated statement of comprehensive income

For the year ended 30 June 2012

In thousands of AUD	*Note*	2012	2011 Restated*
Revenue	4	325,919	342,690
Other income		779	560
Cost of sales		(266,086)	(284,095)
Personnel expenses	5	(41,282)	(41,886)
Administration expenses		(9,449)	(9,991)
Restructuring costs	6	(2,179)	(1,281)
Occupancy expenses		(3,173)	(3,488)
Depreciation expense		(1,810)	(1,502)
Impairment losses on assets	6	(1,143)	(4,358)
Amortisation expense		(1,009)	(843)
IT expenses		(930)	(609)
Member and advertising expenses		(472)	(1,636)
Results from operating activities		(835)	(6,439)
Finance income		1,822	1,920
Finance costs		(2,663)	(3,895)
Net finance costs	7	(841)	(1,975)
Share of profit of equity-accounted investees (net of tax)	12	87	33
Loss before income tax		(1,589)	(8,381)
Income tax benefit/(expense)	8	763	(2,108)
Loss for the year		(826)	(10,489)
Other comprehensive loss			
Foreign currency translation differences - foreign operations		(86)	(77)
Other comprehensive loss for the year		(86)	(77)
Total comprehensive loss for the year		(912)	(10,566)
Loss attributable to:			
Owners of the Company		(510)	(9,710)
Non-controlling interests		(316)	(779)
Loss for the year		(826)	(10,489)
Total comprehensive loss attributable to:			
Owners of the Company		(576)	(9,773)
Non-controlling interests		(336)	(793)
Total comprehensive loss for the year		(912)	(10,566)

Refer note 5 and 6 for non-recurring restructure costs.

* Refer to details provided in note 31.

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Riverwise Pty Limited and its controlled entities

Consolidated statement of financial position

As at 30 June 2012

In thousands of AUD	*Note*	30 June 2012	30 June 2011 Restated*	1 July 2010 Restated*
Assets				
Cash and cash equivalents	*9*	9,508	6,483	3,401
Trade and other receivables	*10*	44,652	48,367	43,575
Inventories	*11*	1,968	3,192	4,725
Current tax assets		-	-	420
Prepayments		380	683	2,079
Total current assets		56,508	58,725	54,200
Trade and other receivables	*10*	651	2,640	3,355
Investments in equity-accounted investees	*12*	450	363	330
Deferred tax assets	*13*	1,553	1,616	731
Property, plant and equipment	*14*	2,487	3,259	3,950
Intangible assets	*15*	20,510	20,932	15,014
Total non-current assets		25,651	28,810	23,380
Total assets		82,159	87,535	77,580
Liabilities				
Trade and other payables	*16*	40,786	46,508	37,168
Loans and borrowings	*17*	23,632	29,405	30,037
Employee benefits	*18*	2,400	2,515	1,657
Current tax liabilities		1,524	2,569	-
Provisions	*19*	188	208	118
Total current liabilities		68,530	81,205	68,980
Loans and borrowings	*17*	1,100	3,500	-
Employee benefits	*18*	620	723	465
Total non-current liabilities		1,720	4,223	465
Total liabilities		70,250	85,428	69,445
Net assets		11,909	2,107	8,135
Equity				
Share capital	*20*	19,131	8,665	1,421
Reserves	*20*	(8)	58	121
Other equity	*20*	(1,385)	(1,385)	-
(Accumulated losses)/retained earnings		(5,484)	(4,974)	5,816
Total equity attributable to owners of the Company		12,254	2,364	7,358
Non-controlling interests		(345)	(257)	777
Total equity		11,909	2,107	8,135

* Refer to details provided in note 31.

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 30 June 2012

Consolidated	Attributable to owners of the Company						
In thousands of AUD	**Share capital**	**Translation reserve**	**Other equity**	**(Accumulated losses)/retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 July 2010 (restated*)	1,421	121	-	5,816	7,358	777	8,135
Total comprehensive income for the year							
Loss for the year (restated*)	-	-	-	(9,710)	(9,710)	(779)	(10,489)
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	(63)	-	-	(63)	(14)	(77)
Total other comprehensive income	-	(63)	-	-	(63)	(14)	(77)
Total comprehensive income for the year	-	(63)	-	(9,710)	(9,773)	(793)	(10,566)
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Issue of ordinary shares	7,244	-	-	-	7,244	-	7,244
Surplus on acquisition of non-controlling interest in subsidiary	-	-	(1,385)	-	(1,385)	-	(1,385)
Dividends to owners of the Company	-	-	-	(1,080)	(1,080)	-	(1,080)
Total contributions by and distributions to owners of the Company	7,244	-	(1,385)	(1,080)	4,779	-	4,779
Changes in ownership interests in subsidiaries							
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	(241)	(241)
Total changes in ownership interests in subsidiaries	-	-	-	-	-	(241)	(241)
Total transactions with owners of the Company	7,244	-	(1,385)	(1,080)	4,779	(241)	4,538
Balance at 30 June 2011 (restated*)	8,665	58	(1,385)	(4,974)	2,364	(257)	2,107

* Refer to details provided in note 31.

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2012

Consolidated

In thousands of AUD	Attributable to owners of the Company						
	Share capital	**Translation reserve**	**Other equity**	**(Accumulated losses)/retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 July 2011 (restated*)	8,665	58	(1,385)	(4,974)	2,364	(257)	2,107
Total comprehensive income for the year							
Loss for the year	-	-	-	(510)	(510)	(316)	(826)
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	(66)	-	-	(66)	(20)	(86)
Total comprehensive income for the year	-	(66)		(510)	(576)	(336)	(912)
Transactions with owners of the Company, recorded directly in equity							
Contributions by and distributions to owners of the Company							
Issue of ordinary shares	10,466	-	-	-	10,466	-	10,466
Total contributions by and distributions to owners of the Company	10,466	-	-	-	10,466	-	10,466
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	226	226
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	22	22
Total changes in ownership interests in subsidiaries	-	-	-	-	-	248	248
Total transactions with owners of the Company	10,466	-	-	-	10,466	248	10,714
Balance at 30 June 2012	19,131	(8)	(1,385)	(5,484)	12,254	(345)	11,909

* Refer to details provided in note 31.

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Riverwise Pty Limited and its controlled entities

Consolidated statement of cash flows
For the year ended 30 June 2012

In thousands of AUD		**2012**	**2011 Restated***
Cash flows from operating activities			
Cash receipts from customers		364,241	372,468
Cash paid to suppliers and employees		(358,931)	(363,176)
Cash generated from operating activities		5,310	9,292
Interest received		1,822	1,920
Interest paid		(2,657)	(3,382)
Income tax paid		(1,443)	(1,649)
Net cash from operating activities	*9*	3,032	6,181
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,101)	(940)
Acqusition of business assets		(761)	(9,591)
Acquisition of subsidiary, net of cash acquired		(111)	-
Net cash used in investing activities		(1,973)	(10,531)
Cash flows from financing activities			
Proceeds from issue of share capital		7,239	5,000
Proceeds from borrowings		3,000	2,865
Acquistion of non-controlling interest		(100)	-
Repayment of borrowings		(8,174)	-
Dividends paid		-	(436)
Net cash from financing activities		1,965	7,429
Net increase in cash and cash equivalents		3,024	3,079
Cash and cash equivalents at beginning of year		6,483	3,401
Effect of exchange rate fluctuations on cash held		1	3
Cash and cash equivalents at end of year	*9*	9,508	6,483

* Refer to details provided in note 31.

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 30 June 2012

1 Reporting entity

Riverwise Pty Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 1, 3 Fitzsimons Lane, Gordon, NSW 2072. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interest in associates.

The Group is a for-profit entity and is primarily involved in:
• Membership Group services. The Group provides services to one of the largest groups of independent retailers in Australia;
• Telecommunications product distribution in Australia, New Zealand and the United Kingdom; and
• IT consulting services.

2 Basis of preparation

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

The consolidated financial statements were authorised for issue by the Board of Directors on 11 December 2012.

(b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency
These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

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

2 Basis of preparation (continued)

(d) Going concern

The Directors have considered the ability of the Group to continue as a going concern, and note the financial results and position as at 30 June 2012, as follows:

In thousands of AUD	Consolidated 2012	2011 Restated*
Loss for the year	(826)	(10,489)
Cash generated from operations	3,032	6,181
Deficiency in current assets over current liabilities at 30 June	(12,022)	(22,480)

(* Refer note 31 for details of re-statement to comparative balances.)

In making their assessment as to whether the Group is a going concern, and therefore whether the financial report should be prepared on a going concern basis, the Directors have considered the following:

- During the year, the Group identified and addressed loss making operations and cut costs (refer note 6 in the Directors' report). Management is continuing to focus on cost control and reduction to increase profitability;
- The Group generated positive cash from operations;
- The Group is budgeted to generate a profit for the 30 June 2013 financial year, and management accounts indicate that the Group has operated profitably in the first quarter of that year;
- The Group is budgeted to generate cash from operations for the 30 June 2013 year; and
- Subsequent to year-end, the Group has repaid certain external finance facilities, and remains in negotiation with its financiers in relation to the remaining facilities. The Directors are confident that these facilities will remain in place, or that alternative facilities will be secured, such that adequate funding will be available to meet both short term and long term funding needs.

As a result of the above the Directors consider that the Group will operate profitably and generate cash from operations for the year ended 30 June 2013 and future years, and will have adequate access to finance, and therefore that the Group will continue as a going concern. In the event that the above are not achieved, then uncertainty may exist as to the ability of the Group to continue as a going concern and in those circumstances, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

(e) Use of estimates and judgements

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

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

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

- note 8 – income tax expense
- note 15 – measurement of the recoverable amounts of cash-generating units containing goodwill

2 Basis of preparation (continued)

(f) Changes in accounting policies

Presentation of financial statements

Effective 1 July 2011 the Group has applied amendments to AASB 101 Presentation of Financial Statements outlined in AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project requiring presentation of transactions recognised in other comprehensive income and AASB 1054 Australian Additional Disclosures requiring additional specific Australian disclosures. These changes in accounting policies only relate to disclosures and had no impact on the Group's result. The changes have been applied retrospectively.

Where applicable, comparative information has been re-presented or removed so that it also conforms to the new disclosure requirements.

(g) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 28.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as explained in note 2(f) which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

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

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

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

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

(ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) Investments in associates (equity accounted investees)

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

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

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

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

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

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

(c) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Loans and receivables (continued)

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

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

ii) Initial direct transaction costs
Initial direct costs (leases) or transaction costs (loans) incurred in the origination of leases and loans are included as part of receivables in the statement of financial position and are amortised in the calculation of lease income and interest income.

The carrying value of the initial direct costs were written off (refer note 31) as a result of the Group running off the lease receivable book.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

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

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

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

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

(iii) Share capital

Ordinary shares

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

3 Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

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

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

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

3 Significant accounting policies (continued)

(e) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Other intangible assets

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

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

The remaining amortisation period of customer lists is 2 to 5 years as at 30 June 2012.

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

(f) Inventories

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

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

3 Significant accounting policies (continued)

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

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

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

3 Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets (continued)

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications 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.

(h) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

3 Significant accounting policies (continued)

(i) Provisions

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

(j) Revenue

(i) Goods sold

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

(ii) Commissions

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

(iii) Services and membership fees

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

(k) Lease payments

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

(l) Finance income and finance costs

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

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

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

3 Significant accounting policies (continued)

(m) Income tax

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

(n) Goods and services tax

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

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

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

(o) Comparative figures

For further discussion related to restatement of comparative information as a result of errors identified in previously issued financial statements, refer to note 31.

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4 Revenue

In thousands of AUD	2012	2011 Restated*
Sale of goods	235,397	249,712
Commissions	67,602	68,113
Rendering of services	11,456	9,537
Membership fees	3,611	3,838
Other	7,853	11,490
	325,919	342,690

5 Personnel expenses

In thousands of AUD	2012	2011 Restated*
Salaries and wages	35,048	35,761
Contributions to defined contribution	1,673	1,580
Increase in liability for annual leave	1,994	2,257
Increase in liability for long service leave	207	251
Other employment expenses	2,360	2,037
	41,282	41,886

In addition to the above personnel expenses, the Group paid termination benefits of $2.1 million which included $1.25 million of redundancy related expenses.

6 Results from operating activities

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

In thousands of AUD	2012	2011 Restated*
Impairment of receivables and inventories on closed retail stores	928	1,105
Impairment loss on intangible assets	-	176
Redundancy costs	1,251	-
Total restructuring costs	2,179	1,281
Impairment loss on intangible assets	703	2,233
Impairment loss on other assets	440	2,125
Total impairment losses on assets	1,143	4,358

7 Finance income and finance costs

In thousands of AUD	2012	2011 Restated*
Interest income from related parties	186	515
Interest income from other parties	1,636	1,405
Finance income	1,822	1,920
Interest expenses	(2,657)	(3,382)
Net foreign exchange loss	(6)	(513)
Finance costs	(2,663)	(3,895)
Net finance costs recognised in profit or loss	(841)	(1,975)

* Refer to details provided in note 31.

8 Income tax expense

Income tax recognised in profit or loss

In thousands of AUD	2012	2011 Restated*
Current tax expense		
Current year	826	(2,988)
Adjustment for prior periods	-	(1)
	826	(2,989)
Deferred tax expense		
Origination and reversal of temporary differences	(63)	881
Total income tax benefit/(expense)	763	(2,108)

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	2012	2011 Restated*
Loss for the year	(826)	(10,489)
Total income tax (benefit)/expense	(763)	2,108
Loss excluding income tax	(1,589)	(8,381)
Income tax using the Group's statutory income tax rate	(477)	(2,514)
Non-deductible expenses	1,697	232
Current year losses for which no deferred tax asset was recognised	(691)	-
Other items (net)	234	175
Under provided in prior years	-	(1)
	763	(2,108)

Estimation of taxation balances

As a result of the restatement of prior year financial statements, the Group has reviewed all tax returns lodged for the period from 2008 to 2011. This may result in the re-lodgement of certain tax returns.

In establishing the provision for income tax of $1,524,000 (restated 2011: $2,569,000), the Group has considered the potential tax outcomes of subjective balances.

The tax ultimately payable may be impacted by further analysis of the Group's tax affair including re-assessment of the prior years tax payable with impact to the tax expense in 2013.

The Directors believe the current estimation of tax is reasonable based on information currently available.

* Refer to details provided in note 31.

9 Cash and cash equivalents

In thousands of AUD	2012	2011 Restated*
Cash at bank and in hand	6,284	6,448
Short term bank deposits	3,224	35
Cash and cash equivalents in the statement of cash flows	9,508	6,483

The effective interest rate on short-term bank deposits was 3.85 % (2011: 6.03%);

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

Reconciliation of cash flows from operating activities

In thousands of AUD	2012	2011
Cash flows from operating activities		Restated*
Loss for the year	(826)	(10,489)
Adjustments for:		
Depreciation	1,810	1,502
Amortisation of intangible assets	1,009	843
Impairment losses on receivables	752	1,503
Impairment losses on intangible assets	703	2,409
Write-down of inventory to net realisable value	270	756
Net finance costs	835	1,462
Share of profit of equity-accounted investees	(87)	(33)
Income tax (benefit)/expense	(763)	2,108
	3,703	61
Change in trade and other receivables	4,873	(5,107)
Change in inventories	954	777
Change in prepayments	303	1,396
Change in trade and other payables	(4,285)	10,959
Change in provisions and employee benefits	(238)	1,206
Cash generated from operating	5,310	9,292
Interest received	1,822	1,920
Interest paid	(2,657)	(3,382)
Income tax paid	(1,443)	(1,649)
Net cash from operating activities	3,032	6,181
Non cash transactions		
Debt for equity swap	3,227	-
Dividends reinvestment to shares	-	644
Acquisition of non-controlling interest holding in Leading Edge Group Limited through a share issue	-	1,600

* Refer to details provided in note 31.

10 Trade and other receivables

In thousands of AUD	2012	2011 Restated*
Current		
Trade receivables	40,823	42,904
Finance lease receivables	2,479	4,676
Allowance for impairment loss on receivables	(541)	(322)
	42,761	47,258
Other receivables	1,509	755
Amounts receivable from associate	382	354
	1,891	1,109
	44,652	48,367
Non-current		
Finance lease receivables	651	2,640

Finance lease receivables

Finance leases of the Group are receivables as follows:
In thousands of AUD

	Gross investment in leases 2012	Unearned finance income 2012	Present value of minimum lease payments receivables 2012	Gross investment in leases 2011	Unearned finance income 2011	Present value of minimum lease payments receivables 2011
Less than one year	2,863	384	2,479	5,344	668	4,676
Between one and five	1,051	400	651	4,221	1,581	2,640
	3,914	784	3,130	9,565	2,249	7,316

Unguaranteed residual values of finance leases accruing to the benefit of the Group are $179,000 (2011: $281,000). Allowance for uncollectible minimum lease payments is $80,000 (2011: $113,000).

The wholly-owned consumer rental company Retailease Pty Ltd ceased to write new business from March 2011 and is collecting the lease book and retiring the associated banking facility.

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables, is disclosed in note 22.

11 Inventories

In thousands of AUD	2012	2011 Restated*
Stock on hand	1,977	3,244
Provision for impairment of inventories	(9)	(52)
	1,968	3,192

During the year, the Group wrote down $270,000 of inventories (2011: $791,000) as a result of the closure of eleven Australian retail stores.

* Refer to details provided in note 31.

12 Investments in equity-accounted investees

In thousands of AUD	2012	2011 Restated*
Balance at 1 July	363	330
Share of associate's profit for the year	87	33
Balance at 30 June	450	363
Share of associate's profit before income tax	128	47
Share of associate's income tax	(41)	(14)
Share of associate's profit after income tax	87	33

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

In thousands of AUD	Ownership	Total assets	Total liabilities	Net assets	Income	Expenses	Profit
2012							
Unlisted:							
Merchandise Management Centre Pty Limited	50%	2,146	(1,248)	898	3,146	(2,972)	174
2011							
Unlisted:							
Merchandise Management Centre Pty Limited	50%	1,790	(1,066)	724	2,949	(2,883)	66

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

* Refer to details provided in note 31.

13 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2012	2011 Restated*	2012	2011 Restated*	2012	2011 Restated*
Provisions	842	1,400	-	-	842	1,400
Operating lease	519	-	-	-	519	-
Other items	192	216	-	-	192	216
Tax assets	1,553	1,616	-	-	1,553	1,616

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 2010 Restated*	Recognised in profit or loss	Balance 30 June 2011 Restated*	Balance 1 July 2011 Restated*	Recognised in profit or loss	Balance 30 June 2012
Provisions	512	888	1,400	1,400	(558)	842
Operating lease	-	-	-	-	519	519
Other items	219	(3)	216	216	(24)	192
	731	885	1,616	1,616	(63)	1,553

14 Property, plant and equipment

In thousands of AUD	Plant and equipment	Leasehold improvements	Motor vehicle	Total
Cost				
Balance at 1 July 2010 (restated*)	8,845	5,233	51	14,129
Additions	801	139	-	940
Disposals	(171)	(113)	-	(284)
Effect of movements in exchange rates	(138)	(139)	-	(277)
Balance at 30 June 2011(restated*)	9,337	5,120	51	14,508
Balance at 1 July 2011 (restated*)	9,337	5,120	51	14,508
Additions through business acquisition	36	-	-	36
Other additions	1,088	-	13	1,101
Effect of movements in exchange rates	15	-	1	16
Balance at 30 June 2012	10,476	5,120	65	15,661
Depreciation and impairment losses				
Balance at 1 July 2010 (restated*)	7,936	2,216	27	10,179
Depreciation for the year	939	559	4	1,502
Disposals	(171)	(113)	-	(284)
Effect of movements in exchange rates	(69)	(79)	-	(148)
Balance at 30 June 2011(restated*)	8,635	2,583	31	11,249
Balance at 1 July 2011 (restated*)	8,635	2,583	31	11,249
Depreciation for the year	1,387	420	3	1,810
Effect of movements in exchange rates	3	112	-	115
Balance at 30 June 2012	10,025	3,115	34	13,174
Carrying amounts				
At 1 July 2010 (restated*)	909	3,017	24	3,950
At 30 June 2011(restated*)	702	2,537	20	3,259
At 30 June 2012	451	2,005	31	2,487

* Refer to details provided in note 31.

15 Intangible assets

In thousands of AUD	Goodwill	Customer list	Computer software	Total
Cost				
Balance at 1 July 2010 (restated*)	12,170	5,801	1,117	19,088
Additions	5,835	3,563	193	9,591
Effect of movements in exchange rates	(397)	(170)	(57)	(624)
Balance at 30 June 2011(restated*)	17,608	9,194	1,253	28,055
Balance at 1 July 2011 (restated*)	17,608	9,194	1,253	28,055
Additions through business acquisition	111	-	-	111
Other additions	326	761	-	1,087
Effect of movements in exchange rates	117	(138)	(20)	(41)
Balance at 30 June 2012	18,162	9,817	1,233	29,212
Amortisation and impairment losses				
Balance at 1 July 2010 (restated*)	-	3,127	947	4,074
Amortisation for the year	-	728	115	843
Impairment loss	669	1,740	-	2,409
Effect of movements in exchange rates	-	(155)	(48)	(203)
Balance at 30 June 2011(restated*)	669	5,440	1,014	7,123
Balance at 1 July 2011 (restated*)	669	5,440	1,014	7,123
Amortisation for the year	-	965	44	1,009
Impairment loss	326	377	-	703
Effect of movements in exchange rates	-	(149)	16	(133)
Balance at 30 June 2012	995	6,633	1,074	8,702
Carrying amounts				
At 1 July 2010 (restated*)	12,170	2,674	170	15,014
At 30 June 2011(restated*)	16,939	3,754	239	20,932
At 30 June 2012	17,167	3,184	159	20,510

* Refer to details provided in note 31.

15 Intangible assets (continued)

Amortisation and impairment charge

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

Impairment testing for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill

In thousands of AUD	2012	2011
Buying group	3,853	3,742
Telecommunications - Australia	5,834	5,835
Telecommunications - New Zealand	7,480	7,362
Total	17,167	16,939

Australian Operations

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

Telecommunications - Australia

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

Telecommunications uses cash flow projections for five years with a terminal value of two times the fifth year's earnings. A pre-tax discount rate of 20% (restated 2011: 20%) has been used in discounting the projected cash flows. The cash flow projections assume no significant change in trading profitability from the actual operating results for the year ended 30 June 2012, with income and costs uplifted using a 2% annual growth factor (restated 2011: 2%). The value in use calculation assumes continuation of the current telecommunition arrangements beyond the end of the current agreement. The assumption is based on the expectation that the provision of telecommunication services will not cease at the expiry of the term. The directors do not consider any reasonable changes in any key assumptions would cause impairment.

The carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of $326,000 (restated 2011: $1,755,000) was recognised. The impairment loss was allocated fully to goodwill in 2012 (restated 2011: $669,000 goodwill and $1,086,000 customer list).

Buying Group

For the buying group, the value in use calculation is based on a cash flow projection over five years with a terminal value of two times the fifth year's earnings. The calculations were performed at a single CGU level for the buying group which included the business operations for Computer and Electronics, Jewellery and Entertainment. A pre-tax discount rate of 20% (restated 2011: 20%) has been used in discounting the projected cash flows. The cash flow projections assume no significant change in trading profitability from the actual operating results for the year ended 30 June 2012, with income uplifted using a 2% annual growth factor (restated 2011: 2%). The directors do not consider any reasonable changes in any key assumptions would cause impairment.

The carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of $377,000 (restated 2011: $654,000) was recognised. The impairment loss was allocated fully to customer list in 2012 (restated 2011: $654,000 customer list).

15 Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill (continued)

New Zealand Telecommunications

The telecommunications intangible asset includes the goodwill on acquisition of the New Zealand telecommunication business. The customer lists are fully amortised. The impairment analysis is conducted at a combined business level considering the combined carrying value of these assets.

Telecommunications uses cash flow projections for five years with a terminal value of two times the fifth year's earnings. A pre-tax discount rate of 20% (restated 2011: 20%) has been used in discounting the projected cash flows. The cash flow projections assume no significant change in trading profitability from the actual operating results for the year ended 30 June 2012, with income and costs uplifted using a 2% annual growth factor (restated 2011: 2%). The value in use calculation assumes continuation of the current telecommunition arrangements beyond the end of the current agreement. The assumption is based on the expectation that the provision of telecommunication services will not cease at the expiry of the term. The directors do not consider any reasonable changes in any key assumptions would cause impairment.

16 Trade and other payables

In thousands of AUD	**2012**	**2011 Restated***
Current		
Trade payables	34,955	37,607
Other payables and accrued expenses	5,831	8,901
	40,786	46,508

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

* Refer to details provided in note 31.

17 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see note 22.

In thousands of AUD	2012	2011
Current		**Restated***
Secured bank facilities	23,632	29,405
Non-current		
Secured bank facilities	1,100	3,500

Subsequent to year end secured facility of $1.7 million have been repaid.

The bank loan and invoice discounting facilities are primarily secured by first registered fixed and floating charges over the assets and undertakings of the Group (limited to the Australian entities only). Covenants imposed by the bank require Leading Edge Group Limited to maintain an Interest Cover Ratio greater than 2.5 times, and a Debt Service Cover ratio greater than 1.5 times. The current bank covenants are being renegotiated as the existing covenants do not match the current Group operations.

The invoice discounting facility for the Group has been classified as a current liability. The facility commenced in August 2008 and is audited by the bank quarterly and subject to annual reviews confirming compliance with banking covenants as disclosed above. The facility is used to fund both working capital requirements relating to the Central Billing facility of the Buying Group. The existing covenants are recognised by the bank and Leading Edge Group Limited as no longer appropriate to the restructured group and are being renegotiated.

In thousands of AUD	2012	2011
Financing facilities		**Restated***
Facilities available		
Invoice discounting	30,000	30,000
Loan facilities	6,127	11,725
	36,127	41,725
Facilities utilised at reporting date		
Invoice discounting	18,605	21,180
Loan facilities	6,127	11,725
	24,732	32,905
Facilities not utilised at reporting date		
Invoice discounting	11,395	8,820
Loan facilities	-	-
	11,395	8,820

The invoice discounting facility is at a net interest rate of 6.98%.

* Refer to details provided in note 31.

18 Employee benefits

In thousands of AUD	2012	2011 Restated*
Current		
Salaries and wages accrued	288	321
Liability for annual leave	2,112	2,194
	2,400	2,515
Non-current		
Liability for long service leave	620	723
	620	723

19 Provisions

In thousands of AUD	Cancelled orders	Protection plan	Total
Balance at 1 July 2011 (restated*)	101	107	208
Provisions made during the year	34	-	34
Provisions used during the year	-	(54)	(54)
Balance at 30 June 2012	135	53	188
Current	135	53	188
Non-current	-	-	-
	135	53	188

20 Capital and reserves

Share capital

	Company Ordinary shares	
In thousands of shares	2012	2011 Restated*
On issue at 1 July	2,206	1,411
Shares issued	1,503	795
On issue at 30 June	3,709	2,206

Issuance of ordinary shares

A total of 1,502,388 ordinary shares were issued at $7 per share for the year ended 30 June 2012. It includes:

- On 20 February 2012 the Company issued 472,793 shares to Armidale Investment Corporation Limited who converted its $3 million loan plus loan interest to shares ($3,268,551 which included a deduction of $41,000 for transaction costs); and
- On 1 March 2012 the Company undertook a rights issue and 1,029,595 shares were issued to existing shareholders at $7 per share ($7,207,165).

Ordinary shares

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

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

* Refer to details provided in note 31.

20 Capital and reserves (continued)

Translation reserve

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

Other equity

Other equity represents acquisition of non-controlling interest in subsidiary which is a transaction with owners in this capacity as owners.

Dividends

No dividends were paid or declared by the Company to shareholders in respect of the year ended 30 June 2012 (2011: $1,079,999).

Dividend franking account

In thousands of AUD	**2012**	**2011 Restated***
30 per cent franking credits available to shareholders of Riverwise Pty Limited for subsequent financial years	5,889	5,469

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

21 Acquisitions of subsidiaries and non-controlling interests

Acquisition of subsidiary

On 1 March 2012, the Group obtained control of Tariff Experts Pty Ltd (Tariff), an IT services company specialising in utility bill comparison technology, by acquiring 80% of the shares and voting interests.

Taking control of Tariff will enable the Group to provide contract analysis services to telecommunication customers of the Group. The acquisition is expected to provide the Group with increased services to new and existing customers.

In the three months to 30 June 2012 Tariff contributed revenue of $57,963 and a loss of $115,347 to the Group's results. If the acquisition had occurred on 1 July 2011, management estimates that consolidated revenue would have been $350,000 and the consolidated loss for the year would have been $343,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

In thousands of AUD	**2012**
Cash	200
	200

21 Acquisitions of subsidiaries and non-controlling interests (continued)

Identifiable assets acquired and liabilities assumed

In thousands of AUD	*Note*	2012
Property, plant and equipment	*14*	36
Cash and cash equivalents		89
Trade and other payables		(14)
Total net identifiable assets		111

Goodwill

Goodwill was recognised as a result of the acquisition as follows:

In thousands of AUD	*Note*	2012
Total consideration transferred		200
Non-controlling interests, based on their proportionate interest in the recognised amounts of the asset and liabilities of the acquiree		22
Fair value of identifiable net assets		(111)
Goodwill	*15*	111

The goodwill is attributable mainly to the skills and technical talent of Tariff's work force. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition of non-controlling interest

In March 2012 the Group acquired an additional 49 percent interest in Computer Care Australia Pty Ltd (CCA) for $100,000 in cash, increasing its ownership from 51 to 100 percent. The carrying amount of CCA's net liabilities in the consolidated financial statements on the date of the acquisition was $461,224. The Group recognised an increase in non-controlling interests of $226,000 and a decrease in retained losses of $76,991.

22 Financial risk management and financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

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

Management of credit risk

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group. The maximum exposure to credit risk at the reporting date was:

		Carrying amounts	
In thousands of AUD	***Note***	**2012**	**2011 Restated***
Cash and cash equivalents	*9*	9,508	6,483
Trade and other receivables	*10*	45,303	51,007
		54,811	57,490

* Refer to details provided in note 31.

22 Financial risk management and financial instruments (continued)

Credit risk (continued)

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

	Carrying amounts	
In thousands of AUD	**2012**	**2011 Restated***
Australia	41,362	45,771
New Zealand	2,607	3,718
United Kingdom	1,334	1,518
	45,303	51,007

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

Impairment losses

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

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

In thousands of AUD	**Gross 2012**	**Impairment 2012**	**Gross 2011 Restated***	**Impairment 2011 Restated***
Neither past due nor impaired	41,103	-	47,363	-
Past due 0-30 days	988	-	1,078	-
Past due 31-120 days	2,636	(403)	2,304	(206)
Past due 121 days to 1 year	952	(138)	584	(116)
More than one year	165	-	-	-
	45,844	(541)	51,329	(322)

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

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

In thousands of AUD	**2012**	**2011 Restated***
Balance at 1 July	322	516
Impairment loss recognised	752	1,509
Reversal of impairment loss	-	(6)
Amounts written off	(533)	(1,697)
Balance at 30 June	541	322

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

* Refer to details provided in note 31.

22 Financial risk management and financial instruments (continued)

Liquidity risk

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

Management of liquidity risk

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

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

30 June 2012

In thousands of AUD	**Note**	**Carrying amount**	**Contractual cash flows**	**12 mths or less**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Secured bank loans	*17*	24,732	24,732	23,632	1,100	-
Trade and other payables	*16*	40,786	40,786	40,786	-	-
		65,518	65,518	64,418	1,100	-

30 June 2011 (restated*)

In thousands of AUD	**Note**	**Carrying amount**	**Contractual cash flows**	**12 mths or less**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities						
Secured bank loans	*17*	32,905	32,905	29,405	3,500	-
Trade and other payables	*16*	46,508	46,508	46,508	-	-
		79,413	79,413	75,913	3,500	-

Market risk

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

* Refer to details provided in note 31.

22 Financial risk management and financial instruments (continued)

Market risk (continued)

Currency risk

Management of currency risk

The Group is exposed to currency risk on sales and purchases of goods and services that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also New Zealand dollar (NZD) and Pound Stering (GBP). The currencies in which these transactions primarily are denominated are AUD, NZD and GBP.

Exposure to currency risk

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

In thousands of AUD	GBP	NZD	GBP	NZD
	30 June 2012		30 June 2011	
			Restated*	Restated*
Cash and cash equivalents	595	1,756	258	1,500
Trade and other receivables	1,334	2,607	1,492	3,659
Trade and other payables	(589)	(6,569)	(415)	(6,819)
Net exposure	1,340	(2,206)	1,335	(1,660)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
AUD	2012	2011	2012	2011
GBP 1	0.6513	0.6212	0.6505	0.6614
NZD 1	1.2826	1.3037	1.2756	1.2959

Currency risk sensitivity analysis

A strengthening of the AUD, as indicated below, against the GBP and NZD at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

	Strengthening		Weakening	
Effect In thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
30 June 2012				
GBP (10 percent movement)	134	134	(134)	(134)
NZD (10 percent movement)	(221)	(221)	221	221
30 June 2011				
GBP (10 percent movement)	134	134	(134)	(134)
NZD (10 percent movement)	(166)	(166)	166	166

* Refer to details provided in note 31.

22 Financial risk management and financial instruments (continued)

Interest rate risk

Management of interest rate risk

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

Profile of interest rate risk

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

In thousands of AUD	**Carrying amount 2012**	**2011 Restated***
Fixed rate instruments		
Lease receivables	3,130	7,316
Variable rate instruments		
Cash and cash equivalents	9,508	6,483
Secured bank loans	(23,341)	(30,710)
	(13,833)	(24,227)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss by $34,583 (2011:$60,568). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Fair values versus carrying amounts

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

* Refer to details provided in note 31.

23 Capital management

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

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

During the year the Group has made substantial advances, as outlined in note 6 in the Directors' report, to reduce the overall debt exposure of the business, whilst focusing on improving profitability.

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

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

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

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

In thousands of AUD	**2012**	**2011 Restated***
Total liabilities	70,250	85,428
Less: cash and cash equivalents	9,508	6,483
Net debt	60,742	78,945
Total equity	11,909	2,107
Net debt to equity ratio at 30 June	5.10	37.47

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

* Refer to details provided in note 31.

24 Operating leases

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2012	2011 Restated*
Less than one year	2,391	3,254
Between one and five years	4,394	6,412
More than five years	133	1,012
	6,918	10,678

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

During the year an amount of $3,442,000 was recognised as an expense in profit or loss in respect of operating leases (restated 2011: $3,805,000).

25 Contingent assets and contingent liabilities

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

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

Related party guarantees

In thousands of AUD	2012	2011 Restated*
Leading Edge Group Limited holds Bank Guarantees for the leases on Leading Edge Music Retail Pty Ltd. The Guarantees are supported by term deposits and constitute 2 to 3 months rental.	784	1,203
Leading Edge Group Limited has provided a letter of support to certain subsidiaries that confirms that the intercompany loans will not be repayable for at least the period to the date the next financial reports are signed.	4,470	5,421

* Refer to details provided in note 31.

26 Related parties

Key management personnel

Cameron S. McCullagh	Chairman - Non-executive
David L. Mills	Director - Non-executive
Stephen B. Humphrys	Director - Non-executive
Anthony N. Middlebrook	Director - Executive
Geoff De Graaf	Chief executive officer - Telecommunications
Gavin C. Ward (i)	Director, Joint Chief Executive Officer
Simon S. Allison (i)	Director, Joint Chief Executive Officer and Chief Financial Officer

(i) Messer's Ward and Allison resigned on 14 December 2011 and 12 January 2012 respectively.

Key management personnel compensation

The key management personnel compensation comprised:

In AUD	2012	2011 Restated*
Short-term employee benefits	1,304,034	1,521,182
Other long-term benefits	113,075	-
Post-employment benefits	95,531	72,780
Termination benefits	471,103	-
	1,983,743	1,593,962

Key management personnel and director transactions

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

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

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

In AUD	*Note*	Transaction value year ended 30 June		Balance outstanding as at 30 June	
		2012	2011 Restated*	2012	2011 Restated*
David L. Mills	(i)	251,702	245,791	-	-
Stephen B. Humphrys	(ii)	37,449	139,342	-	-
				-	-

(i) A firm in which David L. Mills is a partner, rendered legal services to the Group during the year.
(ii) Moore Stephens, a firm in which Stephen B. Humphrys is a partner, rendered services to the Group during the year.

* Refer to details provided in note 31.

26 Related parties (continued)

Other related party transactions

In AUD	*Note*	Transaction value year ended 30 June 2012	Transaction value year ended 30 June 2011 Restated*	Balance outstanding as at 30 June 2012	Balance outstanding as at 30 June 2011 Restated*
Associate - Merchandise Management Centre Pty Ltd - sale of goods and rendering of services	(i)	3,145,457	2,947,914	102,763	73,664
Associate - Merchandise Management Centre Pty Ltd - loan from the Group	(iii)	-	-	280,000	280,000

(i) The outstanding balance with the associate is priced on an arm's length basis and are settled in cash on a monthly basis. None of the balance is secured.

(ii) In addition to the trading relationship the Group has provided a $280,000 shareholder loan. Interest of 7.8% (2011: 7.8%) was charged during the year. Interest income for the Group is $21,840 (2011: $21,840). Loans are subject to an agreement between the shareholders. The two shareholders have a charge over the assets of Merchandise Management Centre Pty Ltd.

* Refer to details provided in note 31.

27 Group entities

	Country of incorporation	Ownership interest 2012 %	Ownership interest 2011 %
Parent entity			
Riverwise Pty Limited			
Significant subsidiaries			
Leading Edge Group Limited	Australia	100	100
Leading Edge Telecoms Group Pty Limited	Australia	100	100
Leading Edge Computers Pty Limited**	Australia	100	100
Tech Edge Solutions Pty Limited**	Australia	100	100
Wine Plus Pty Limited**	Australia	100	100
Golf Plus Pty Limited**	Australia	100	100
Leading Edge Technology Pty Limited**	Australia	100	100
Creditec Pty Limited**	Australia	100	100
Leading Edge Telecoms NZ Limited	New Zealand	100	100
Leading Edge Communications NZ Ltd	New Zealand	100	100
Retailease Pty Ltd	Australia	100	100
Leading Edge Music Retail Pty Ltd*	Australia	100	100
Leading Edge Group (UK) Ltd	United Kingdom	90	90
Computer Care Australia Pty Ltd	Australia	100	51
Leading Edge Licensors Pty Limited**	Australia	100	100
Leading Edge Music Group Pty Limited	Australia	51	51
The Edge Distribution Pty Limited	Australia	51	51
TBC Group Pty Ltd	Australia	100	100
Hourglass Nominees Pty Ltd**	Australia	100	100
One Stop Electronics Pty Ltd**	Australia	100	100
Information Based Sales and Marketing Australia Ltd	Australia	100	100
Leading Edge Group (NZ) Ltd	New Zealand	100	100
Leading Edge Auto Electrical Group Pty Ltd**	Australia	100	100
Databox International Pty Ltd	Australia	100	100
Infovault Pty Ltd**	Australia	100	100
Tariff Experts Pty Ltd	Australia	80	-
Emsquared Australia Pty Ltd	Australia	50	50

* Subsidiaries which have ceased trading during the year ended 30 June 2012.

** Subsidiaries which have not traded during the years ended 30 June 2012 and 30 June 2011.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2012

28 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2012 the parent entity of the Group was Riverwise Pty Limited.

In thousands of AUD	2012	2011 Restated*
Result of parent entity		
Profit for the year	-	1,080
Other comprehensive income	-	-
Total comprehensive income for the year	-	1,080
Financial position of parent entity at year end		
Current assets	5	355
Total assets	20,656	11,376
Current liabilities	175	1,361
Total liabilities	175	1,361
Total equity of the parent entity comprising of:		
Share capital	19,131	8,665
Retained earnings	1,350	1,350
Total equity	20,481	10,015

29 Subsequent events

In September 2012, the Group paid down its banking facilities associated with the lease book.

On 22 October 2012 AIK acquired 82,236 shares, equivalent to 3.1% of Share Capital. As at the date of this statement AIK shareholding represents 14.18% of the Group.

On 18 December 2012, at a meeting of the Company shareholders, a resolution was passed to terminate the Riverwise shareholders agreement. In addition, it was resolved that a request be made to AIK to make an offer of merger.

Other than the matters mentioned above, there have been no events subsequent to reporting date which would have a material effect on the Group's financial statements at 30 June 2012.

30 Auditors' remuneration

In AUD	2012	2011
Audit services		
Audit of financial reports		
- KPMG Australia	361,750	-
- BDO New Zealand	35,864	34,695
- Simon Turner BA (Hons) HND FCA	37,148	30,308
- B C D Black & Co.	2,000	2,000
- MNSA Pty Ltd	-	264,136
	436,762	331,139
Other services		
Taxation and compliance services		
- KPMG Australia	53,500	-
- BDO New Zealand	10,611	3,594
- Simon Turner BA (Hons) HND FCA	2,640	3,047
- MNSA Pty Ltd	-	54,730
	66,751	61,371

KPMG was appointed auditor for the year ended 30 June 2012. The KPMG fee includes the additional costs incurred in the year ended 30 June 2012 to audit the restated financial statements.

* Refer to details provided in note 31.

31 Restatement

A review of the Group's financial position as at 30 June 2012 and subsequent reconsideration of accounting treatments adopted in the prior period financial statements has resulted in significant restatement of the prior year financial statements. In addition to the errors disclosed below, the presentation of individual balances have been restated.

In thousands of AUD	30 June 2011			1 July 2010		
	Previously reported	**Effect of correction**	**Restated**	**Previously reported**	**Effect of correction**	**Restated**
Statement of financial position						
Cash and cash equivalents	6,462	21	6,483	3,568	(167)	3,401
Trade and other receivables	51,881	(3,514)	48,367	49,114	(5,539)	43,575
Inventories	4,122	(930)	3,192	4,762	(37)	4,725
Current tax assets	-	-	-	-	420	420
Prepayments	3,188	(2,505)	683	2,675	(596)	2,079
Total current assets	65,653	(6,928)	58,725	60,119	(5,919)	54,200
Trade and other receivables	6,674	(4,034)	2,640	4,532	(1,177)	3,355
Investments in equity-accounted investees	297	66	363	330	-	330
Deferred tax assets	2,017	(401)	1,616	1,585	(854)	731
Property, plant and equipment	3,883	(624)	3,259	4,357	(407)	3,950
Intangible assets	27,322	(6,390)	20,932	17,575	(2,561)	15,014
Total non-current assets	40,193	(11,383)	28,810	28,379	(4,999)	23,380
Total assets	105,846	(18,311)	87,535	88,498	(10,918)	77,580
Trade and other payables	(42,824)	(3,684)	(46,508)	(37,282)	114	(37,168)
Loans and borrowings	(18,381)	(11,024)	(29,405)	(21,335)	(8,702)	(30,037)
Employee benefits	-	(2,515)	(2,515)	-	(1,657)	(1,657)
Current tax liabilities	(1,011)	(1,558)	(2,569)	(13)	13	-
Provisions	(848)	640	(208)	(501)	383	(118)
Total current liabilities	(63,064)	(18,141)	(81,205)	(59,131)	(9,849)	(68,980)
Trade and other payables	-	-	-	(2,089)	2,089	-
Loans and borrowings	(17,566)	14,066	(3,500)	(11,354)	11,354	-
Employee benefits	-	(723)	(723)	-	(465)	(465)
Deferred tax liabilities	(242)	242	-	-	-	-
Total non-current liabilities	(17,808)	13,585	(4,223)	(13,443)	12,978	(465)
Total liabilities	(80,872)	(4,556)	(85,428)	(72,574)	3,129	(69,445)
Net assets	24,974	(22,867)	2,107	15,924	(7,789)	8,135
Share capital	9,915	(1,250)	8,665	1,410	11	1,421
Reserves	175	(117)	58	157	(36)	121
Other equity	-	(1,385)	(1,385)	-	-	-
(Accumulated losses)/retained earnings	14,816	(19,790)	(4,974)	12,936	(7,120)	5,816
Total equity attributable to owners of the Company	24,906	(22,542)	2,364	14,503	(7,145)	7,358
Non-controlling interest	68	(325)	(257)	1,421	(644)	777
Total equity	24,974	(22,867)	2,107	15,924	(7,789)	8,135

31 Restatement (continued)

In thousands of AUD	30 June 2011		
	Previously reported	**Effect of correction**	**Restated**
Statement of comprehensive income			
Revenue	348,182	(5,492)	342,690
Other income	-	560	560
Cost of sales	(286,573)	2,478	(284,095)
Personnel expenses	(36,370)	(5,516)	(41,886)
Administrative expenses	(7,565)	(2,426)	(9,991)
Restructuring costs	-	(1,281)	(1,281)
Occupancy expenses	(5,685)	2,197	(3,488)
Depreciation expense	-	(1,502)	(1,502)
Impairment losses on assets	-	(4,358)	(4,358)
Amortisation expense	-	(843)	(843)
Amortisation, depreciation and impairment	(2,406)	2,406	-
IT expenses	(974)	365	(609)
Member and advertising expenses	(686)	(950)	(1,636)
Results from operating activities	7,923	(14,362)	(6,439)
Finance income	-	1,920	1,920
Finance costs	(3,895)	-	(3,895)
Net finance costs	(3,895)	1,920	(1,975)
Share of profit of equity-accounted investees	(33)	66	33
Profit/(loss) before income tax	3,995	(12,376)	(8,381)
Income tax expense	(1,431)	(677)	(2,108)
Profit/(loss) for the year	2,564	(13,053)	(10,489)
Other comprehensive loss	-	(77)	(77)
Total comprehensive income/(loss) for the year	2,564	(13,130)	(10,566)

The significant adjustments to the Statement of Financial Position as at 1 July 2010 and 30 June 2011 and the Statement of Financial Performance for the year ended 30 June 2011 were:

Transactions impacting subsidiary entities

Retailease Pty Limited and Retailease Trust No.1

Retailease lease was the Group's provider of finance lease from 2008 to 211. During this period significant costs were capitalised without reference to the future value of contracted leases. During the restatement it was identified that:

- The present value of the lease books reduced from $9.7 million to $7.2 million;
- Other capitalised assets (commissions, salaries etc.) reduced from $5.1 million to $0.2 million; and
- Intercompany transactions between the two Retailease entities were restated, effectively reducing the receivable in the consolidated financial statements by $1.4 million.

31 Restatement (continued)

Transactions impacting subsidiary entities (continued)

Retailease Pty Limited and Retailease Trust No.1 (continued)

The total impact of the restatement on Retailease was $2.83 million at 30 June 2011 and $6.38 million at 1 July 2010.

The Statement of Financial Position captions impacted by these transactions included Trade and other receivables, Prepayments, Other receivables and Retained earnings. In addition, certain captions in the Statement of Financial Performance were also impacted.

TBC Pty Limited and Computer Care Australia Pty Ltd (CCA)

During the last two years these businesses have acquired a number of businesses and customer lists from third parties. The acquisition accounting had not separately identified the intangible assets that were acquired. During the restatement it was identified that:

- The intangible assets on acquisition were not correctly identified. Additional intangible assets of $500,000 were recognised at 30 June 2011;
- The intangible assets arising from acquisitions included customer lists of $3.2 million which have been separately identified are amortised over 4 years. The amortisation charge included in the restatement was $0.6 million; and
- An impairment analysis had not been conducted in prior years. Due to significant trading losses in 2011, and only small projected profit for CCA in future years, the intangible assets in CCA were impaired and as a result an additional charge of $0.75 million was included in the 30 June 2011 restated result.

The Statement of Financial Position captions impacted by the above restatements are Intangible assets and Retained earnings. The Statement of Financial Performance caption impacted is Amortisation expenses.

Leading Edge Telcoms Group (TRS), Leading Edge Music Group (MUSES)

Since 2008 these businesses have acquired and run a number of Telecommunication and Music Retail Stores. The companies have historically:

- Capitalised internal costs with respect to setting up businesses;
- Carried significant costs for Inventory and Store Fit-outs when operating margins for the individual stores did not support the capitalized assets and the market value of the stock and fittings were minimal; and
- Other receivables and prepayments were capitalized but not considered annually for impairment.

An impairment analysis of the capitalised assets was conducted for these assets and as a result an impairment charge of $1.3 million was recognised at 30 June 2011 (1 July 2010: $1.2 million).

The Statement of Financial Position captions impacted by the above restatements are Other receivables, Inventory, Property plant and equipment and Retained earnings. In addition, certain captions in the Statement of Financial Performance were also impacted.

31 Restatement (continued)

Leading Edge Group transactions

During the preparation of the Leading Edge Group financial position, it was identified that a formal impairment analysis of historical balances had not been performed. The impairment analysis conducted as at 30 June 2011 identified:

- Fit-out costs with respect to closed retail stores were impaired;
- Certain capitalised costs were impaired; and
- Certain related party loans were impaired.

Further, it was identified that certain inventory was obsolete, and a number of clearing accounts had not been reconciled.

The adjustment arising from these matters resulted in a reduction to profit of $2.9 million for the year ended 30 June 2011 (as at 1 July 2010: $0.84 million).

The Statement of Financial Position captions impacted by the above restatements are Other receivables, Intangible assets, Inventory, Property plant and equipment and Retained earnings.

Parent entity transactions

The Parent entity financial statements have been restated to reflect the recognition of a financial liability that was embedded in the acquisition agreement to acquire TBC. The shares that were issued for purchase consideration for the TBC business acquisition have been classified as a financial liability under AASB 139 Financial Instruments: Recognition and Measurement and not as Share Capital. The financial liability was subsequently settled with the liability converting to equity in the 30 June 2012 financial year.

The Statement of Financial Position captions impacted by the above restatements are Intercompany payable and Share capital.

Other transactions

During the preparation of the consolidation other transactions that have impacted the prior year restatement include:

- A bank overdraft balance as at 1 July 2010 and 30 June 2011 was actually a deposit at bank of $0.35 million; and
- The New Zealand buying group's operations through Leading Edge Group (NZ) Pty Ltd was not included in the consolidated New Zealand operations (increased the Group's net assets at 30 June 2011 by $105,000).

The Statement of Financial Position captions impacted by the above restatements are Cash, Trade and other receivables and Trade and other payables.

Riverwise Pty Limited and its controlled entities

Directors' declaration

1 In the opinion of the directors of Riverwise Pty Limited (the Company):

(a) the consolidated financial statements and notes, set out on pages 8 to 53, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of directors.

Stephen B. Humphrys
Director

Dated at Sydney this 24th day of December 2012.

Independent audit report to the members of Riverwise Pty Limited

Report on the financial report

We have audited the accompanying financial report of Riverwise Pty Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independent audit report to the members of Riverwise Pty Limited (continued)

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Restatement of comparative balances

Without modification to the opinion expressed above, we draw attention to Note 31 of the financial report, which states that the comparative balances have been restated to correct errors identified in the 30 June 2011 financial report. The financial report of Riverwise Pty Limited for the year ended 30 June 2011 was audited by another auditor who expressed an unmodified opinion on that financial report on 28 October 2011.

KPMG

KPMG

AA

Andrew Reeves
Partner

Sydney

24 December 2012