

# **/OPUS\*** **GROUP** **ANNUAL** **REPORT** **2014/**



**OPUS GROUP LIMITED  
AND CONTROLLED ENTITIES  
A.C.N. 006 162 876**

## Company Directory

### DIRECTORS

William J. Mackarell  
Non-Executive Chairman

Richard F. Celarc  
Executive Director

Bret P. Jackson  
Non-Executive Director

James M. Sclater  
Non-Executive Director

Simon A. Rowell  
Non-Executive Director

### COMPANY SECRETARIES

Mark Heron  
Laura Lou

### REGISTERED OFFICE AND POSTAL ADDRESS

12 Rachael Close  
Silverwater NSW 2128

### CONTACT NUMBERS

Telephone: (02) 9584 7680  
Facsimile: (02) 9648 5887

### AUDITORS

PricewaterhouseCoopers  
Darling Park, Tower 2  
201 Sussex Street  
Sydney NSW 2000

### SHARE REGISTRY

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067

### BANKERS

Australia and New Zealand Banking  
Group Limited  
242 Pitt Street  
Sydney NSW 2000

### SOLICITORS

Thomson Geer  
Level 25, 1 O'Connell Street  
Sydney NSW 2000

### STOCK EXCHANGE

Listed on the Australian Securities Exchange  
(‘ASX’)

### ASX CODE

OPG (Fully Paid Ordinary Shares)

### E-MAIL

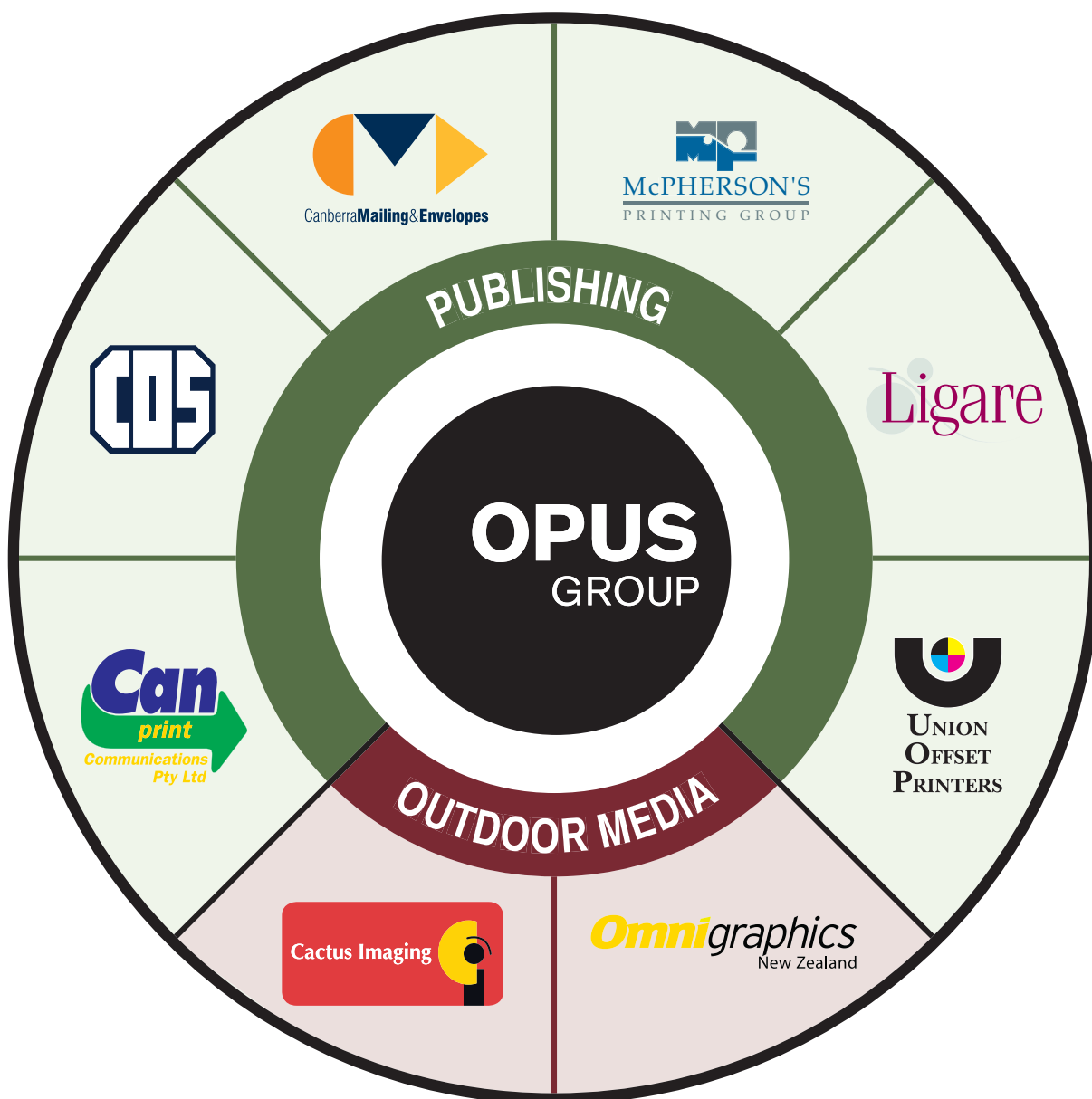
[info@opusgroup.com.au](mailto:info@opusgroup.com.au)

### WEBSITE

[www.opusgroup.com.au](http://www.opusgroup.com.au)

### PRINT

Designed & Printed by Inkjet technology  
OPUS Group  
16 Nyrang Street  
Fyshwick  
CANBERRA ACT 2609



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**CONTENT FASTER SMARTER**

**Hunkeler**  
Excellence in Paper Processing

# CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Board of the OPUS Group I am pleased to present to you the Annual Report of the Company for the twelve months ended June 30, 2014.

For most of FY14 the Company worked on recapitalisation to establish a strong platform to return to profitability and growth. Following a comprehensive review of potential partners, 1010 Printing Group Limited, a Hong Kong listed company, emerged as an ideal partner. 1010 has successful involvement in the printing industry worldwide, including a significant involvement with the publishing industry in Australia. Furthermore, its business activities are complementary to those of OPUS.

In the first instance, the 1010 Group purchased the OPUS debt from the CBA and, by way of a loan, increased working capital to enable OPUS to implement its rationalisation plan. The 1010 Group then embarked on a recapitalisation programme in conjunction with Wilson HTM Corporate Finance Limited, Richard Celarc, a director of OPUS with more than thirty years experience in the Australian printing industry, and a number of the company's current shareholders. The participation of these entities, particularly the 1010 Group and Richard Celarc, provided a very clear signal of the potential of the OPUS Group once the debt burden it has carried since 2012 was removed. The Company can now move forward on a strong and fully funded basis with a debt level commensurate with its earnings.

The Group can look to the future with renewed confidence and will focus squarely on, first, delivering earnings growth through enhanced profitability as a result of a much leaner operation and, second, implementing its core strategies.

Recognising the changing dynamics of the local and global print industry, the OPUS strategy is to be the leading technology driven business services group and the preferred partner to many of the world's largest book publishers. The Company believes that, print services will be increasingly produced on digital devices, delivered direct to the end user or partner retailer and printed on demand. OPUS is well placed to satisfy this changing dynamic through its investment in its IPALM proprietary software, in new digital equipment and in the development of its non-printing business services. OPUS aims to partner with publishers, governments and other content producers to help them meet the challenges currently taking place in their supply chain.

The past eighteen months have been extremely challenging for OPUS. Poor overall trading conditions resulted in a fall in earnings, exacerbated by the Company's high level of debt. The Company's adjusted EBITDA in FY14 was 16% lower than adjusted EBITDA in FY13 on a sales revenue base marginally higher than that of FY13, with earnings partly impacted by the loss of a major contract with a large multinational publisher. The Company also took the opportunity to strengthen its balance sheet by recognising a significant charge against goodwill.

For some time, a comprehensive rationalisation plan had been planned to combat trading issues but lack of funding meant that the plan could not be implemented until sufficient working capital became available. Senior management was inevitably deflected from operational issues to deal with financial pressures and the complexities associated with the restructuring. Following the recapitalisation, management is now fully focused on business opportunities and improvements.

FY14 was a challenging year and I would like to thank my fellow directors for the support and encouragement they showed in meeting the many issues and problems we faced and for their enthusiasm in pushing ahead to secure a satisfactory outcome for the Group's recapitalisation . I must pay particular tribute to the work and efforts of the senior management team of Cliff Brigstocke, our CEO, Richard Celarc for his work at the coal face and Mark Heron, our COO in keeping the Company moving in the face of considerable obstacles. I also welcome CK Lau to the Board, for his experience and standing in both the global and Australian print industry will be invaluable as we take the company forward.

We look forward to the continuing support of you, our shareholders, in the next stage of the journey.



A handwritten signature in black ink, appearing to read 'W. Mackarell'.

**William J. Mackarell**  
Chairman





# OPUS BUSINESS MODEL

## Our Business Model

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

OPUS presents a unique strategic opportunity insofar as it:

- has an established and strategically positioned geographic operating footprint
- is a leading provider of predominantly print services to the Australian Federal Government
- has a broad array of longstanding blue chip customers encompassing global and local publishers, government departments and agencies, global media companies, advertising agencies, and corporates
- offers a diversified earnings profile through ownership of Australasia's leading producer of outdoor advertising media
- uses leading proprietary technology (IPALM®) within its Digital service offering to enable end-to-end digital production, content management, fulfilment and delivery solutions

- is concurrently positioned to capture growth from its established global Content Delivery Alliance, market consolidation and government innovation
- The OPUS Group offering includes a regional end-to-end value chain with facilities in Singapore, Sydney, Maryborough, Canberra and Auckland with further global reach via strategic content distribution alliances in North America, the United Kingdom, Europe, Philippines and China. OPUS's innovative regional solutions enable it to handle business services and technology-led communications solutions for Asia Pacific. The regional solution allows customers to select the optimal content solution based on product type, run length, timing, location, security and fulfilment.

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

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



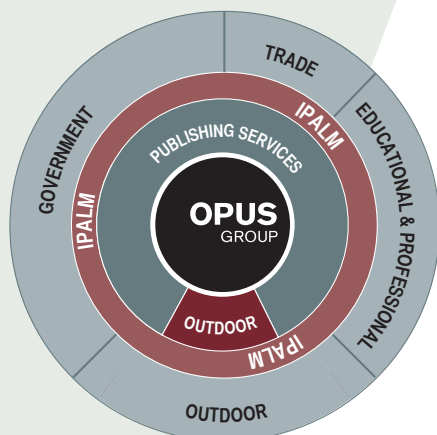


# OUR OPERATIONS & DIVISIONS

## Publishing Services Division

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

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



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

### Outdoor Media Division

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

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

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



# CHIEF EXECUTIVE OFFICER'S REPORT

As our Chairman has reported in some detail, the FY2014 financial year was predominantly focused on restructuring the company's financial position.

This included significant effort and management time to achieve the successful capital restructure. Whilst this concluded with a very satisfactory outcome, it required substantial investment of management time and as a result, not all of the key strategies that had been planned were delivered.

The Industry also contracted with a number of major players withdrawing and whilst the reduced market capacity is positive for the Group, a number of exiting competitors used aggressive pricing as their strategy which placed a strain on margins as we were forced to defend market share.

Against this backdrop, it is very encouraging to note we held our revenue line to that of 2013. Whilst the underlying business has been clearly impacted by the major events in 2014, holding revenue, key staff, suppliers and overall market position has placed us well to take advantage of the many opportunities we have in 2015.

## FY2014 HIGHLIGHTS

2014 was a year that proved the strong skill set and ability of our management team and dedicated staff. In the year we delivered on several major initiatives, all of which will set solid foundations for the 2015 year and beyond:

- The successful outcome of our capital restructure initiative which will see the Group emerge with a very strong balance sheet and ability to invest for future growth.
- The finalisation of the new reduced cost base for the business which was subsequently implemented September 1, 2014.
- Continued investment in our proprietary content management platform, IPALM® as an enabler to our

multiple content delivery strategy. IPALM® continues to be implemented with major strategic customers including delivering and commercially managing eBooks as well as invoicing and statements.

- Significant production efficiencies achieved utilising LEAN manufacturing tools. Productivity increases of up to 20% and a DIFOT improvement of 10% have been delivered. In addition, production wastage has halved.
- Substantial work being delivered across our Asia Pacific owned network via our dynamic production planning. This includes leveraging the OPUS facilities to provide our customers with best value and location offers, including Singapore, Sydney, Maryborough, Canberra and New Zealand.

## KEY BUSINESS FOCUS AREAS FOR FY2015

### Reset of the Group Cost Base

Following the successful capital restructure, we initiated throughout July and August 2014 a major re-set of our cost base.

Approximately \$5m of annual cost has been removed effective September 1, 2014. This initiative has now correctly sized the business and will allow OPUS to secure improved market share and deliver enhanced profit.

### Best Practice Operations & Production Structure

Our business model is designed to deliver our customers' requirements on a global, regional and local basis, utilising all the OPUS facilities at the appropriate scale. To deliver this, our Operations and Production team will be implementing the final stage of flexible, dynamic production. This means we can produce shorter runs, more effectively, closer to our customers as well as longer runs where required. As part of our ongoing improvement approach, each operating location is benchmarked and KPI's are shared weekly.

Our Group delivery measure, delivered in full on time (DIFOT) is 97% and the metric we use to measure performance, overall equipment efficiency (OEE) along

with other LEAN tools has seen us create significant extra capacity through better efficiency and utilisation of personnel and equipment.

### **The OPUS Print on Demand (POD) On & Off Shore Solution**

In keeping with our major Publishing customers' trends, we will continue to invest in the most productive equipment, notably mono & colour inkjet, to deliver product where the ordering profile comprises smaller runs, customised content, is ordered frequently and ordered much closer to the required delivery date.

Utilising all elements in the Group, this will further enable production closer to the customer and a much improved turnaround time and overall customer value proposition.

Further, we will increasingly offer a combination of print locations to meet the changing market needs, including long run & colour printing in China via 1010 Printing as well as the Asia Pacific OPUS facilities including Singaporean, Australian and New Zealand plants.

### **Outdoor Media**

The 2015 outlook for Out of Home Advertising in both Australia and NZ is for continued growth, with Cactus Imaging leading the market through the investment in a new 5 metre wide UV Star Pro8. The new machine will support the growth that Cactus is capitalizing on within the Out of Home market, while allowing the company to develop our retail fabric and high end markets it opened through the investment in Latex print technology late last year.

Transit, Road Side Billboards and Retail point of purchase remain stable revenue channels for Cactus, however with the new investment, other markets such as high end retail, promotional soft furnishing and wall paper will be introduced to the business. While generally smaller run sizes, these markets typically achieve a higher rate per metre.

### **OUTLOOK**

With the substantial diversion of management time and Group resource associated with the capital restructure behind us, we are now focused on delivering improved profit, utilising a simple three step plan.

The first step, largely completed, has re-set the cost base of the business. Aside from the significantly improved profitability of the business units where this was implemented, we are now able to more aggressively improve market share.

Secondly, we can now package a full offer that includes a combination of our facilities in Sydney, Maryborough, Canberra, Auckland & Singapore. Importantly and as part of the 1010 Printing 'family' based in Hong Kong, we have full access to their first class facility in China.

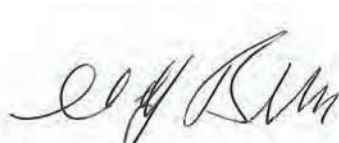
Finally, technology investment will continue. For the Outdoor division, the latest and state of the art digital print technology is being installed in November 2014. In addition, we have commissioned two highly productive colour inkjet lines into our publishing businesses in Canberra and Sydney with further finishing investment also approved for our Maryborough and Sydney sites.

This will ensure our competitive edge and allow even faster delivery at more competitive prices.

With this plan now firmly in place, the OPUS Group will deliver an improved EBITDA performance over 2014.

On behalf of our senior team, staff and the Board I thank you for your ongoing support of the Company.

Yours faithfully



**Clifford D.J. Brigstocke**  
Chief Executive Officer



# KEY STRATEGIES

## Focus on specific market segments

OPUS provides integrated full service value chain capability for the specialist Divisional segments across a range of delivery platforms including traditional print and online electronic delivery. The OPUS businesses are well established, they hold leading positions in their respective markets and long-term relationships with their customers.

The nature of the operating environment within defined segments means competition is often based on factors such as quality, technical capability, specialised equipment, unique expertise and high value add services.

OPUS Group is continually reviewing the markets within which it operates to ensure that operations are focused on key sectors and capital is deployed in the most effective manner.

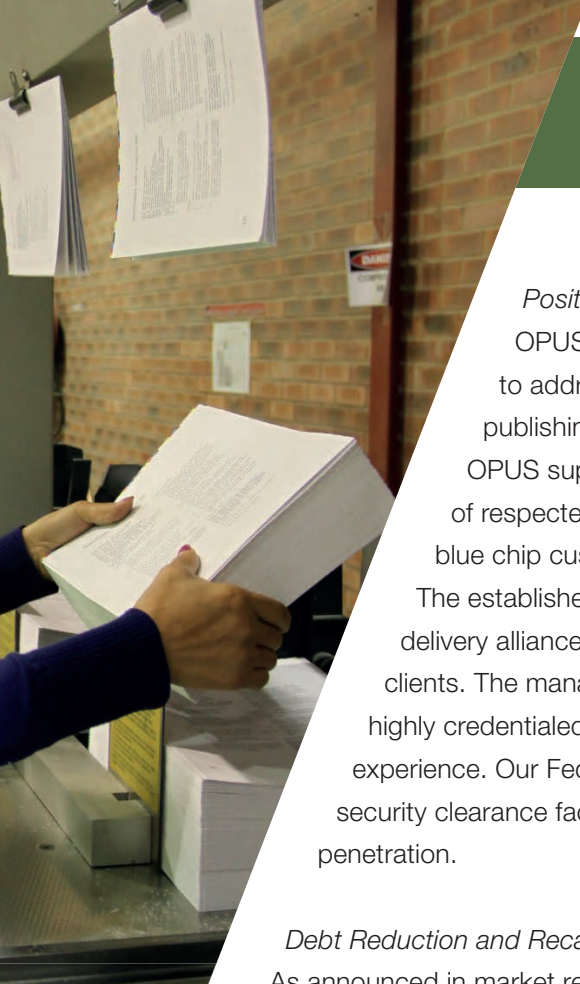
## *Business Transformation*

OPUS Digital will continue to hold the growth and innovation assets. These include OPUS' non traditional print elements and a growing range of products and services as part of the Group's comprehensive offer to help Publishers meet the changes currently taking place in their supply chain. OPUS Digital leverages off its IPALM® technology platform, providing an online content management and distribution system that also integrates with customers and with our digital printing equipment.

OPUS Digital is the mechanism by which OPUS's strategic prospects and its value chain extension strategy meet. The digital strategy for OPUS encompasses a distribution system to produce and supply products to consumers, with agility to respond quickly to change and lead our customers in this dynamic environment, across all aspects of our business.







### *Positioning*

OPUS is well positioned to address changing global publishing industry dynamics. OPUS supplies a broad array of respected and longstanding blue chip customer base.

The established global content delivery alliance services key global clients. The management team is highly credentialed with deep sector experience. Our Federal Government security clearance facilitates further market penetration.

### *Debt Reduction and Recapitalisation*

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

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

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



# ***BUSINESS PROSPECTS, OPPORTUNITIES AND***

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

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

The majority of capital reinvestment is now being directed towards new digital equipment and finishing solutions to improve turnaround times and productivity as well as increased investment in the OPUS proprietary digital asset management and workflow system, IPALM®.

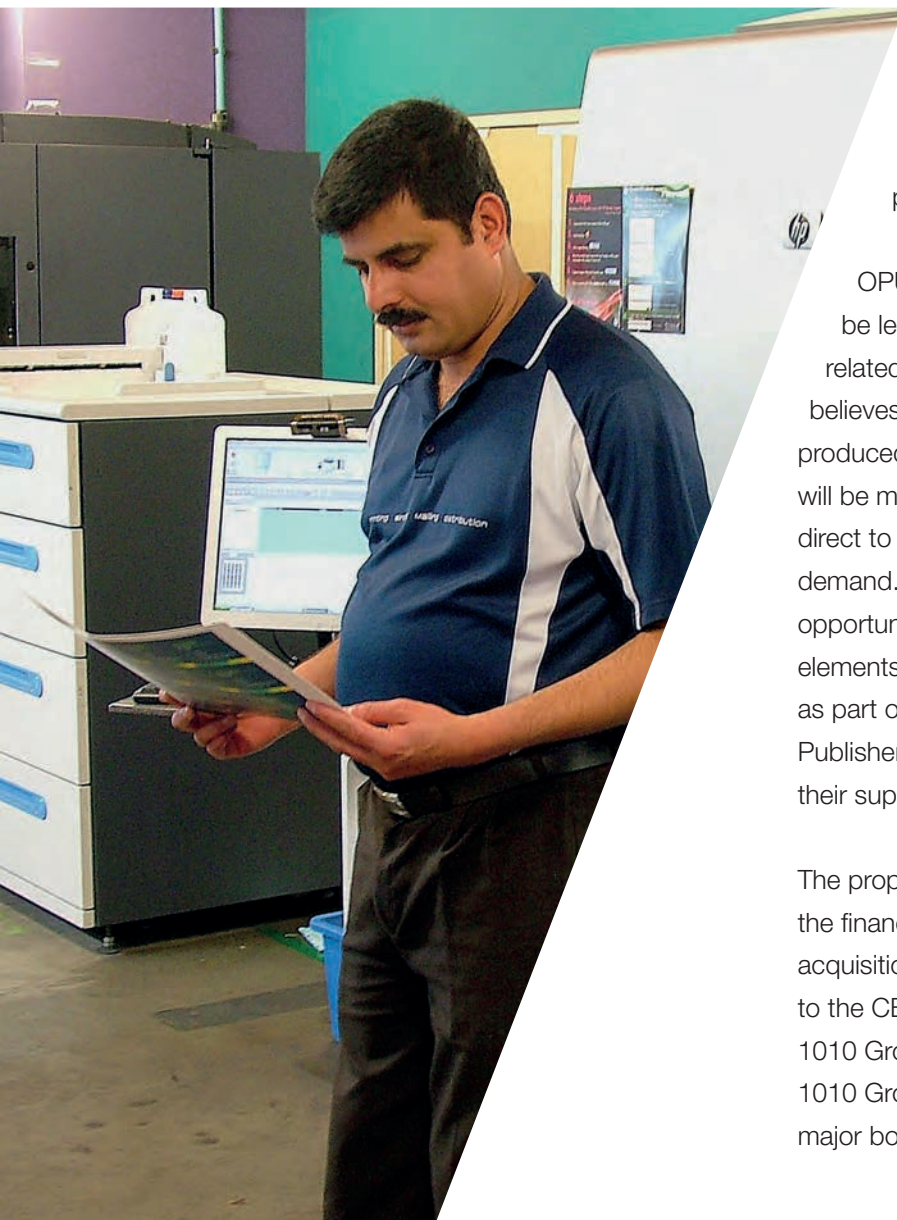
Over the next three years OPUS intends to significantly focus on earnings growth and deliver enhanced profitability.

In parallel with this and to offset any decline in print related products, OPUS has been steadily building its range of non-print products and services as part of the comprehensive solution offer. Known as OPUS

Digital this includes but is not limited to micro-warehousing, fulfilment offers, e-book conversions, database mailing, web site development and management, subscription and marketing services, both physical and online.

OPUS intends to leverage the new technologies to be leaner and more efficient manufacturer of print related products. Inside five years, the Company believes that a majority of all print services will be produced on digital or digital equivalent devices and will be more likely delivered, on behalf of publishers direct to the end user or partner retailer, printed to demand. OPUS Digital provides growth and innovative opportunities. These include non traditional print elements and a growing range of products and services as part of the Group's comprehensive offer to help Publishers meet the changes currently taking place in their supply chain.

The proposed recapitalisation is the final stage in the financial restructuring of OPUS following the acquisition by 1010 Group of the debt due by OPUS to the CBA. After completion of the recapitalisation, 1010 Group will be a major shareholder of OPUS. 1010 Group provides printing services to international major book publishers, trade, professional and

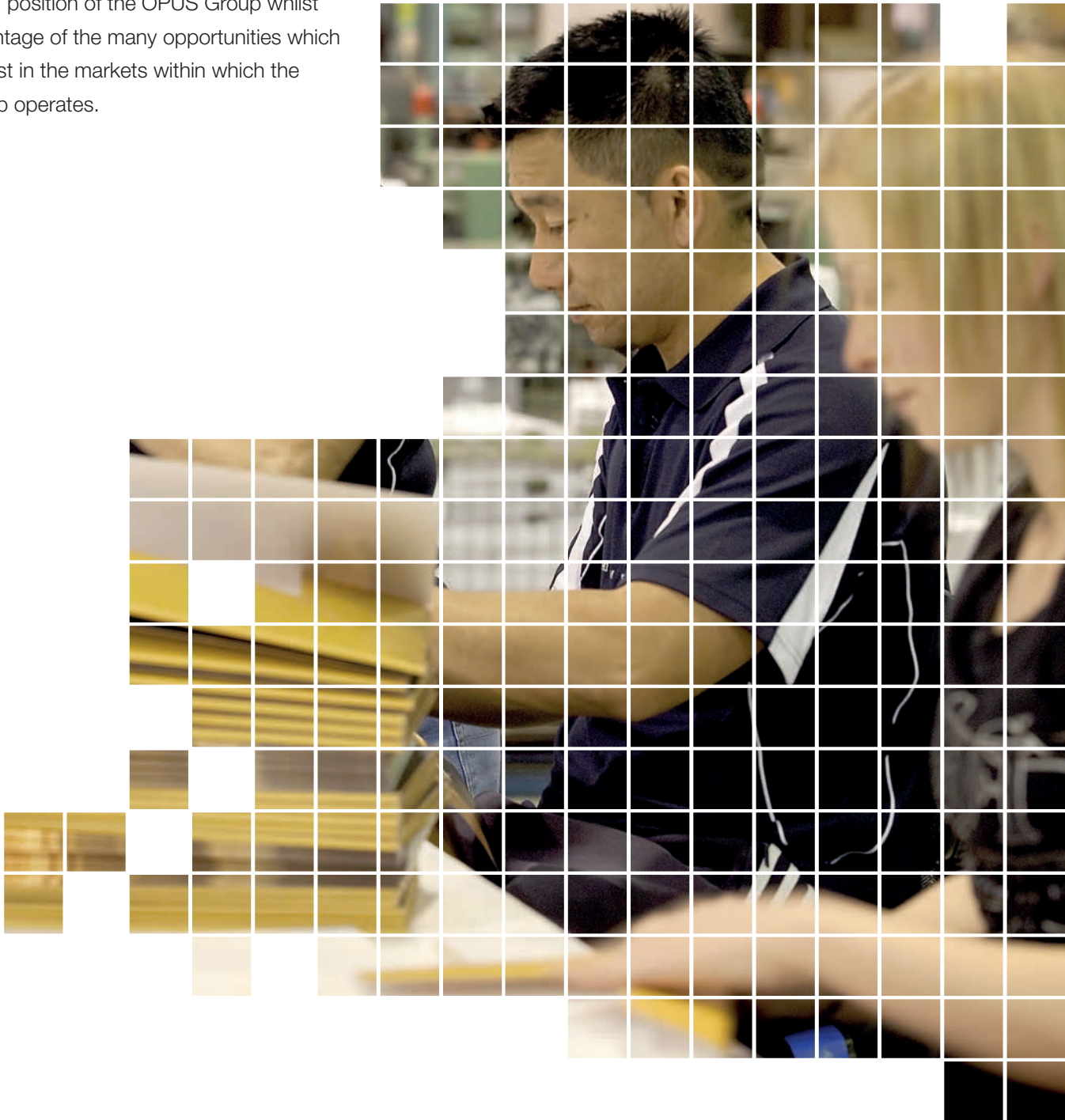




educational publishing conglomerates and print media companies. The recapitalisation puts OPUS onto a sound financial footing as quickly as possible. Once implemented, the proposed recapitalisation will enable the business to move forward on a strong and fully funded basis. OPUS can build a long and successful association with 1010 Group.

The Board's strategy is focused on minimising the impact of the above mentioned financial risks which may impact the future financial performance and financial position of the OPUS Group whilst taking advantage of the many opportunities which currently exist in the markets within which the OPUS Group operates.

Publishers reduce print cost and volumes cause printing market consolidation. OPUS Group is well placed for the challenge and continuing reviewing opportunities as they arise. As global publishers consolidate their supply chains and look to partners who can extend their service offering, OPUS Group is focusing on a wider role in the value chain by adding services and distribution platforms to support customer needs.



# COMMUNITY AND ENVIRONMENT

## Community

OPUS Group is committed to operating as a responsible corporate citizen and continually supports the economic and social vitality of local communities through sponsorships and charitable donations.

OPUS Group proudly supports industry related events and promising programs from non-profit entities that are closely aligned with the Company's commitment to its industry and communities.

### Organisations we have supported this year include:

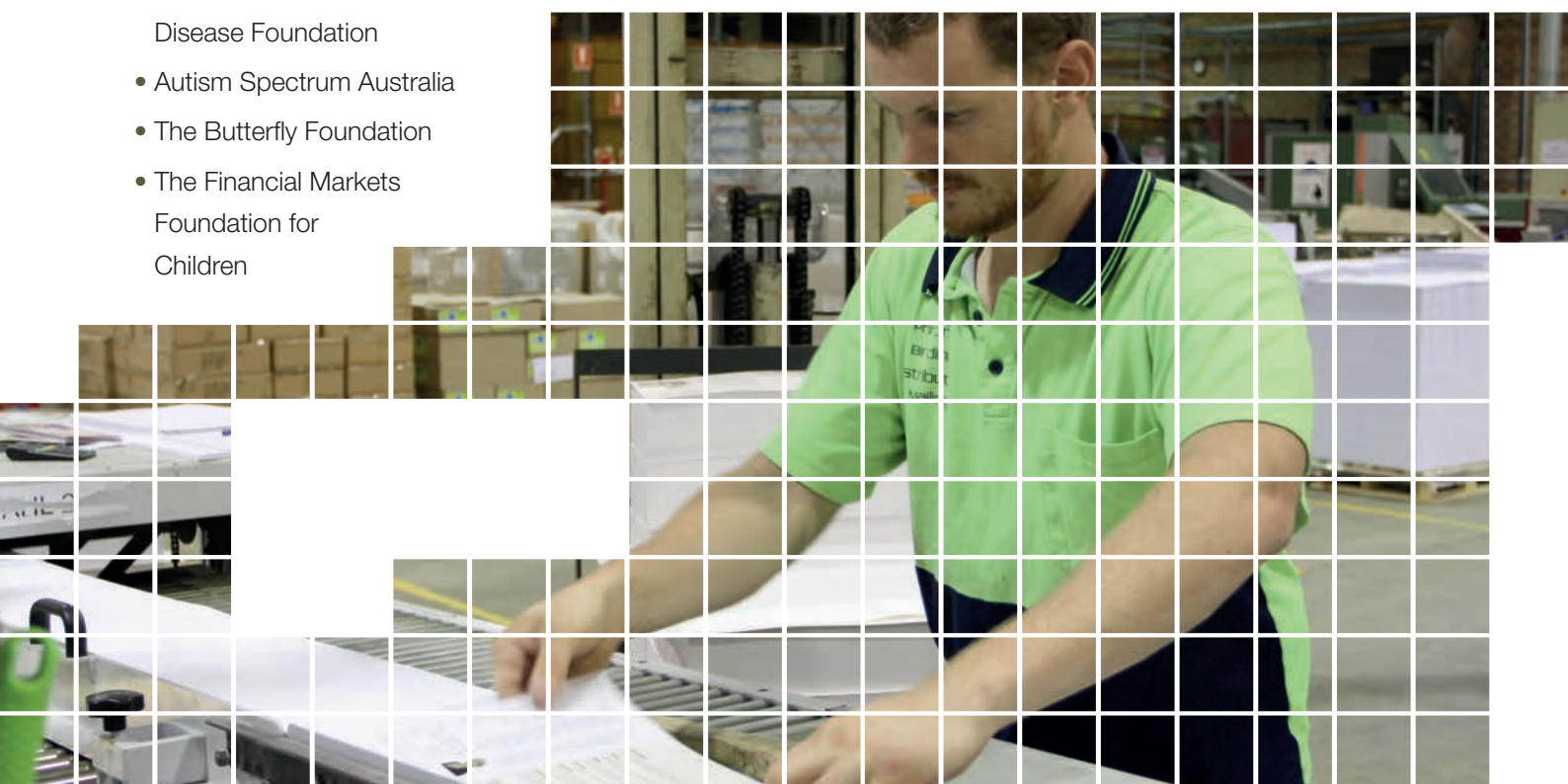
Westfield Community Golf Day:

- Assistance Dogs Australia
- Bayside Special Developmental School
- Camp Breakaway
- Giant Steps
- The Shepherd Centre
- Therapy Focus

ASX Reuters Foundation for:

- Australian Kookaburra Kids
- Australian Mitochondrial Disease Foundation
- Autism Spectrum Australia
- The Butterfly Foundation
- The Financial Markets Foundation for Children

- Foodbank NSW
- FSHD Global Research Foundation
- Giant Steps Sydney
- The Heart Research Institute
- Hunter Medical Research Institute
- Interplast Australia & New Zealand
- Lifeline Northern Beaches & Harbour to Hawkesbury
- Lung Foundation Australia
- Meniere's Australia
- Motor Neurone Disease Assn NSW
- National Aboriginal Sporting Chance Academy
- Neuroscience Research Australia
- Odyssey House McGrath Foundation
- Operation Smile
- Pain Management Research Institute
- Royal Far West
- Stewart House





*Auckland Art Fair*  
*The Basement Theatre*  
*The Silo Theatre*  
*Semi-Permanent and Splore*  
*The Cancer Society*  
*Paddle for Hope campaign which is for breast cancer*  
*The Rotary Club Auckland*  
*The Lions Club*  
*The Rotary Club Ryde*  
**DISABILITIES SPORTS & RECREATION LTD**  
*IDF Australia*  
*Clunes Booktown*  
*Macks*  
*Mooney Vallery Racing Club*  
*Canberra Business*  
*UC Brumbies*  
*Snowy Hydro*  
*Canberra Racing Club*  
*fashfest*  
*National Folk Festival*  
*National Gallery*

Our Publishing division is certified to the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification Scheme (PEFC) and where possible, we print using soy-based inks (commonly referred to as vegetable based inks).

Our ACT and Victorian facilities are certified as operating an Environmental Management System complying with the requirements of AS/NZS ISO14001:2004 and we are currently in the process of conducting Target Ethical Sourcing Code audits for all sites in the division.

## Environment

The OPUS Group is committed to minimising the impacts of the production process on the environment. Our Outdoor Media division has introduced an Industry first, light weight, black-backed vinyl that provides significant occupational health and safety benefits, is recyclable and is cost effective for customers.

We have also invested in both UV printing and Latex technology. The former uses low VOC (volatile organic chemical) inks that are less harmful to the environment and Latex technology use environmentally friendly latex inks that meet the chemical requirements of the Nordic -Ecolabel for print companies.



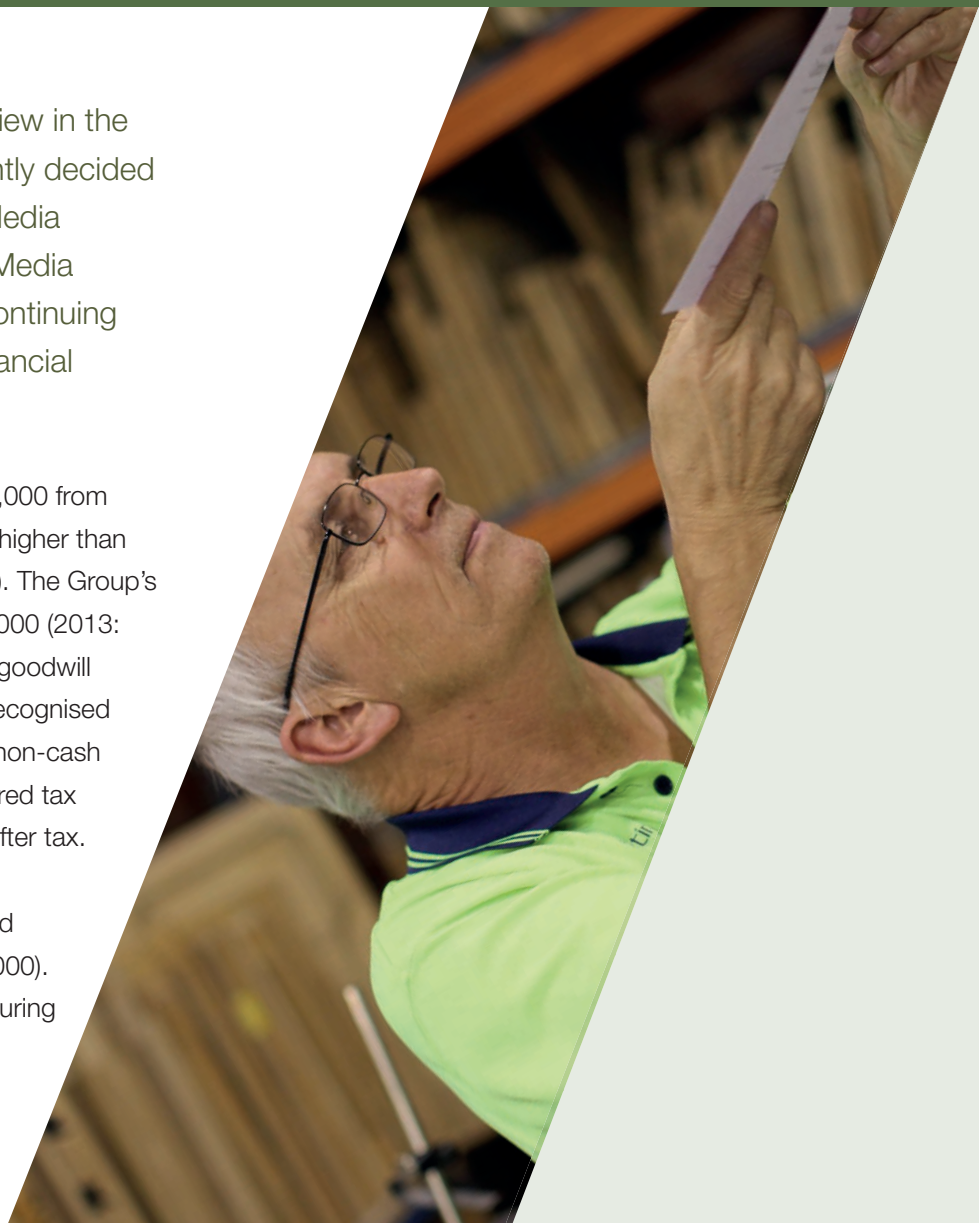
# OPERATING AND FINANCIAL REVIEW

Following the Group's strategic review in the first half of FY14, it was subsequently decided not to proceed with the Outdoor Media Division divestment. The Outdoor Media Division has been reclassified to Continuing Operations in the Statement of Financial Performance.

The Group reported revenue of \$116,873,000 from continuing operations, which was slightly higher than the prior year figure (2013: \$116,824,000). The Group's loss after tax for the period was \$47,073,000 (2013: \$2,847,000). During the year a non-cash goodwill impairment charge of \$38,088,000 was recognised in respect of the publishing assets and a non-cash expense arising from the write off of deferred tax assets of \$4,139,000 impacted the loss after tax.

The Publishing Services Division generated revenue of \$95,491,000 (2013: \$97,159,000). Despite the difficult trading environment during FY14 in the markets that OPUS Group services, the Group managed to maintain the revenue in most of the units in the Publishing Services Division. However, the revenue of the Publishing Services Division was impacted by the loss of a long term customer (announcement released on 18 February 2014).

The revenue of the Outdoor Media Division was \$21,382,000 which was 9% up of the prior year (2013: \$19,665,000). The Out-of-home advertising market is currently a growth media channel.



Further details in respect of these results are provided below:

### Reported Financial Performance

	Year ended 30 June 2014 AUD\$'000s As reported	Year ended 30 June 2013 AUD\$'000s Restated	% Change Favourable/ (unfavourable)
Revenue from continuing operations	116,873	116,824	0%
Operating income and expenses	(151,930)	(110,634)	(37%)
Operating (loss) / profit before finance costs	(35,057)	6,190	(666%)
Net finance costs	(7,262)	(6,662)	(9%)
Share of net profit / (loss) of associate	11	(116)	(109%)
(Loss) before tax (continuing operations)	(42,308)	(588)	(7095%)
Income tax expense	(4,765)	(2,259)	(111%)
(Loss) after tax	(47,073)	(2,847)	(1553%)
(Loss) per share (cents)	(40.18)¢	(5.30)¢	(658%)

Due to the rounding of figures small discrepancies may exist

The Operating loss before finance costs was \$35,057,000. The Operating loss increased significantly which was caused by recognizing the goodwill impairment charge of \$38,088,000 in the Publishing Services Division as detailed in note 20. Other than the goodwill impairment charges, the operating loss also included \$1,476,000 (2013: \$3,268,000) of one-off costs relating to integration, restructuring, transaction and debt facility costs.

### Pro-Forma Financial Performance

The Board and Senior Management of the OPUS Group assess the performance of the operating segments and the business as a whole based on measures of Adjusted EBITDA as monitored by the Board and Senior Management ('Adjusted EBITDA').

Items excluded from Adjusted EBITDA reflect the effects of certain items such as integration and restructuring costs, material merger transaction costs, legal expenses and related costs.

These measures are disclosed in Note 5 of this Annual Financial Report and are consistent with the presentation of financial information internally for management accounts purposes. Both are non-IFRS measures of financial performance and are not principles contemplated by Australian Accounting Standards. These measures are unaudited.

# OPERATING AND FINANCIAL REVIEW *cont.*

	1H FY14	2H FY14	Year ended 30 June 2014	1H FY13	2H FY13	Year ended 30 June 2013	% Change
	AUD\$'000s	AUD\$'000s	AUD\$'000s	AUD\$'000s	AUD\$'000s	AUD\$'000s	
<b>Revenue</b>							
Publishing Division	51,194	44,297	95,491	48,686	48,473	97,159	(2%)
Outdoor Media Division	10,986	10,396	21,382	10,598	9,067	19,665	9%
<b>Total Revenue</b>	<b>62,180</b>	<b>54,693</b>	<b>116,873</b>	<b>59,284</b>	<b>57,540</b>	<b>116,824</b>	<b>0%</b>
<b>Adjusted EBITDA</b>							
Publishing Division	7,097	5,524	12,621	7,512	7,090	14,602	(14%)
Outdoor Media Division	1,780	1,344	3,124	1,971	1,464	3,435	(9%)
Others	(1,871)	(2,061)	(3,932)	(1,951)	(1,972)	(3,923)	0%
<b>Total Adjusted EBITDA</b>	<b>7,006</b>	<b>4,807</b>	<b>11,813</b>	<b>7,532</b>	<b>6,582</b>	<b>14,114</b>	<b>(16%)</b>

	Year ended 30 June 2014 AUD\$'000s	Year ended 30 June 2013 AUD\$'000s
Transaction and listing related costs (i)	-	475
Integration and restructuring costs (ii)	1,189	2,363
Other (iii)	287	430
<b>Total items excluded from Adjusted EBITDA</b>	<b>1,476</b>	<b>3,268</b>

- (i) Costs related to the capitalisation and merger transactions including advisory, legal, accounting and taxation professional fees.
- (ii) Costs related to the restructuring activities being undertaken. The 2013 comparatives include costs related to business integration.
- (iii) Fees related to the CBA debt facility restructuring and legal costs associated with acquisitions and strategic reviews. The 2013 comparatives also include other costs relating to convertible shareholder loan transactions entered into during the year

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

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



### **Publishing Services Division**

The Publishing Services Division is integral to the publishing cycle of professional and educational publishers. It provides digital and offset printing, and other ancillary business services including digital asset management, content management, back-catalogue fulfilment, direct to consumer distribution and warehousing, variable data and intelligent mailing. The division operates with the brands of Ligare in Sydney and Auckland, CanPrint and Union Offset in Canberra, McPherson's Printing ('MPG') in Victoria and C.O.S. Printers in Singapore. OPUS embraces the evolving industry trends of digitisation and multi-channel content delivery with modern equipment and proprietary technology. Customers in the OPUS Publishing Services Division can access multiple content and service delivery options across traditional print, digital print-on-demand, distribute & print and online electronic delivery.

The Publishing Services Division operated in a difficult trading environment during FY14. The revenue dropped slightly to \$95,491,000 (2013: \$97,159,000). Revenue and the Adjusted EBITDA of the Publishing Services Division decreased by 2% and 14% respectively. Trading in the second half year was impacted by the loss of a long term customer (announcement released on 18 February 2014).



# OPERATING AND FINANCIAL REVIEW *cont.*

## Outdoor Media Division

The Outdoor Media Division produces and distributes outdoor advertising material and corporate signage for the outdoor advertising industry and corporate signage market. This market encompasses a wide range of 'out-of-home' advertising formats to reach consumers where they live, work, play, drive, shop and commute. The division operates a multi-brand strategy across Australasia through Cactus Imaging and Omnigraphics New Zealand. Trading for the Outdoor Media Division remained relatively stable with both the Australian and New Zealand operations having a strong second half of the year.

The Outdoor Media Division generated revenue of \$21,382,000 (2013: \$19,665,000). Adjusted EBITDA of the Outdoor Media Division decreased by 9% mainly due to increase in material costs and other expenses.

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

The Group had \$3,516,000 of cash at 30 June 2014. The Group had hedged the interest payments on \$41,800,000 (2013: \$45,000,000) of the Commonwealth Bank of Australia Limited ('CBA') debt owing at 30 June 2014 as required by the terms of the Debt Facility Agreement. On 31 July 2014, the hedging agreement was cancelled without charges.

## Asset and Capital Structure (as at Date of the Statement of Financial Position)

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

Due to the rounding of figures small discrepancies may exist

\* Net debt excludes off balance sheet bank guarantees and letters of credit.

# DIRECTORS REPORT

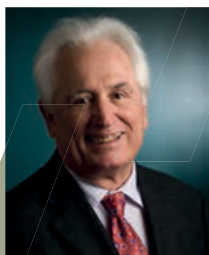
The Board of Directors issues the following report on the consolidated financial statements of OPUS Group Limited and its controlled entities (referred to hereafter as the OPUS Group) at the end of, and for the year ended 30 June 2014.

## Directors

The names of the Directors of OPUS Group who were in office from the beginning of the financial year are as follows:

### Chairman (Non-executive)

William J. Mackarell



### Executive Directors

Richard F. Celarc



### Non-executive Directors

Bret P. Jackson

James M. Sclater

Matthew J. McGrath (resigned 31 July 2013)

Simon A. Rowell

Directors were in office for the entire year unless otherwise stated above.

## (a) Information on Current Directors

### William J. Mackarell MEd, FAICD, FAIM (Chairman and Non-Executive Director)

Mr Mackarell brings considerable experience in publishing and senior executive development to the Board, including over 40 years' experience in the international publishing industry. He has served as the CEO of Law Book Company and its affiliates (Australian subsidiaries of Thomson Reuters) and CEO of Associated Book Publishers (Aust). Mr Mackarell was a board member of the Australian Publishers Association, including serving as Chairman. Mr Mackarell also served as a director of Copyright Agency Limited, including a term as Chairman.

For 12 years Mr Mackarell was a Group Chair of The Executive Connection and acted as a mentor to CEOs from a wide variety of industries. In 2009, he jointly founded Coraggio Pty Limited, an organisation committed to improving CEO performance and leadership skills. Mr Mackarell currently serves as a Director of Device Technologies Australia Pty Limited.

Mr Mackarell is a graduate of the University of Sydney and holds a Master's Degree in Education. He is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Mr Mackarell is a member of the Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee.

### Richard F. Celarc (Executive Director)

Mr Celarc co-founded Ligare in 1979 and was one of the foundation shareholders of the OPUS Group. He initially served as Ligare's accountant, bringing a strong focus on costs and funding the growth of the business from its infancy. Mr Celarc acquired full ownership of Ligare Australia in 1996

# DIRECTORS REPORT

and grew the business into the largest specialist book printer in New South Wales. He currently leads the OPUS Group's best practice program, working with the OPUS Group businesses to further develop operating efficiencies and ensure industry leading practice. Mr Celarc has been a key driver of the OPUS Group's cross-site production strategy, ensuring the best use of equipment across the OPUS Group to deliver optimal customer outcomes, and was instrumental in the establishment of the Ligare New Zealand operation.

Having been a print business owner for over 30 years, Mr Celarc has a wealth of industry knowledge and operational experience.



**Simon A. Rowell BA (honours),  
FCA, FAICD**

**(Non-Executive Director)**

Pre-merger with the OPUS Group of Companies, Mr Rowell was the Chairman of McPherson's Limited.

Mr Rowell was appointed director of McPherson's Limited in 2003 and was Chairman from 31 August 2007 until his retirement as a director on 19 November 2011. He is the former Chief Executive Officer of Snack Foods Limited, Australia's largest listed snackfood company, which was acquired by Arnott's Biscuits in 2002. Prior to Snack Foods, he spent 12 years as the CEO of the Jack Chia Group, a diversified business including consumer products, engineering, textiles, property and finance. He was formerly Chairman of Savcor Group Limited, Greens Foods Limited and MMC Contrarian Limited.

Mr Rowell is a Chartered Accountant and has an Honours Degree in Arts. Mr Rowell is a member of the Audit Risk Management and Compliance Committee and the Chairman of the Nomination and Remuneration Committee.



**Bret P. Jackson BCom  
(honours), MBA**

**(Non-Executive Director)**

Mr Jackson is a co-founder of Knox Investment Partners, a Managing Director of the firm and the Chairman of Knox Funds

I – V (subsidiaries of Fund III are OPUS Group shareholders). Mr Jackson is experienced in all aspects of private equity including strategic value creation, fund raising, deal origination and portfolio management and realisation. Further experience was with the Boston Consulting Group in Sydney and London including projects across Australia, Asia and Europe in multiple industries. Mr Jackson has a MBA from Harvard Business School and an Honours Degree in Commerce from Otago University. He is the past President of the Harvard Business School Association of New Zealand alumni.

Mr Jackson is a member of the Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee.



**James M. Sclater BCom, CA**  
**(Non-Executive Director)**

Mr Sclater is a professional director and trustee acting for a number of companies and investment trusts including the New Zealand listed public

company Hellaby Holdings Limited and large private entities ProCare Health and Damar Industries. Mr Sclater is a Chartered Accountant and a member of the New Zealand Institute of Chartered Accountants and Institute of Directors. Prior to 2009, Mr Sclater was Chairman of Grant Thornton Auckland, where he was a business advisory services director for 18 years, specialising in SME accounting, taxation and management advice.



Mr Sclater has a Bachelor of Commerce Degree from the University of Auckland.

Mr Sclater is the Chairman of the Audit Risk Management and Compliance Committee.

extensive publishing industry experience, including 10 years in operational, sales and marketing roles, and as a member of the senior executive team, with Thomson Reuters in Australia. He is a former director of Bunzl Australia (part of Bunzl plc, a FTSE100 company) and held general manager and regional director positions within the company's outsourcing division. He commenced his career in the Royal Australian Navy where he held senior positions in seaborne combat roles. He holds a Master of Arts degree from Macquarie Graduate School of Management and a Diploma of Logistics from the University of Technology Sydney. He is a member of the Australian Institute of Company Directors.

## (b) Key Management Personnel

### Clifford D.J. Brigstocke MA, Dip Logistics, MAICD (Chief Executive Officer)

Mr Brigstocke is the Group's Chief Executive Officer of OPUS Group. He has led OPUS Group since its inception and has been instrumental in acquiring, integrating and developing each of the businesses in the OPUS Group. Mr Brigstocke has

## (c) Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Director	Eligible to attend	Attended
William J. Mackarell (Chairman)	34	32
Richard F. Celarc	34	33
Bret P. Jackson	34	34
Simon A. Rowell	34	32
James M. Sclater	34	30
Matthew J. McGrath*	2	2

\*resigned 31 July 2013

## (d) Committee Membership

The Group has an Audit Risk Management and Compliance Committee and a Nomination and Remuneration Committee of the Board. Members acting on the committees of the Board during the year and their attendance at meetings was as follows:

### Committee Meetings

	Audit Risk Management and Compliance		Nomination and Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended
William J. Mackarell	4	4	1	1
Bret P. Jackson	4	4	1	1
James M. Sclater	4	3	-	-
Simon A. Rowell	4	4	1	1
Matthew J. McGrath*	-	-	-	-

\*resigned 31 July 2013

**(e) Principal Activities**

The principal activities of the OPUS Group are the distribution of published content, operating within the following two divisions:

*(i) Publishing Services*

Production and distribution of publications including electronic delivery of online material, regional production of scientific, medical, technical and scholarly journals, loose leaf manuals and primary, secondary and higher education texts. As well as, provision of secure government communication requirements including document production, web hosting, electronic fulfilment, call centre, warehousing and logistics for the Australian Federal Government, State Governments and Local Councils.

*(ii) Outdoor Media*

Creation, production and distribution of outdoor advertising material and corporate signage, such as billboards, bus advertising, retail displays, vehicle wraps and trade exhibitions.

**(f) Dividends**

No dividends were paid or declared during the year.

**(g) Consolidated Results**

The consolidated loss after tax from operations of OPUS Group for the year ended 30 June 2014 was \$47,073,000 (2013: loss \$2,847,000).

**(h) Review of Operations**

The review of operations of the OPUS Group is the Operating and Financial Review on pages 18 to 22 of the Annual Financial Report and forms part of this report.

**(i) Significant Changes in the State of Affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the OPUS Group which have not been disclosed elsewhere in the Financial Report.

**(j) Events Subsequent to the Balance Sheet Date**

*Debt Reduction and Recapitalisation*

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

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

Immediately after novation, 1010 Group signed a standstill agreement with the Group. In accordance with the standstill agreement, 1010 Group extended the loan maturity date, deferred the loan repayment date and waived the covenant requirements until 8 August 2014 (the "Deferral Date"). Subsequently, the Deferral Date was further extended to 15 November 2014. The applicable interest rate was reduced to 6% for a three month period and a working capital facility of \$7,000,000 was provided by 1010 Group to provide the Group with financial accommodation for the period through to completion of a proposed recapitalisation.

On 4 September 2014, OPUS Group signed a recapitalisation program deed with 1010 Group and a placement agreement with Wilson HTM Corporate Finance Limited. 1010 Group will convert \$20,880,000 of the loan to equity of OPUS and forgive the balance of the loan. OPUS will issue 20 million options to 1010 Printing to subscribe for 20 million shares of OPUS at a total exercise price of \$7,000,000, exercisable at any time up to and including 30 September 2017.

OPUS group will issue shares to professional and sophisticated investors to raise \$4,000,000 and Mr. Richard Celarc to raise \$3,000,000.

A maximum of \$1,050,000 will be raised through a share purchase plan by existing shareholders. After completion of the above recapitalisation plan, 1010 Group will own approximately 61% of OPUS Group. The recapitalisation plan is subject to shareholders approval.

Once implemented, the proposed recapitalisation will enable the Group's business to move forward on a strong and fully funded basis. The Group will have remaining debt of an unsecured promissory note owed to CBA for \$1,900,000, repayable on 31 July 2015 and \$2,580,000 of finance leases (detailed in notes 28 & 31).

#### *Rationalisation*

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

#### **(k) Likely Developments and Expected Results of Operations**

In the opinion of the Directors, all necessary information has been reported in this Directors' Report and the Financial Report. Information, which relates to likely developments in the operations and the expected results of those operations in financial periods subsequent to 30 June 2014, is not included as it would prejudice the interests of the OPUS Group.

#### **(l) Information on Directors**

Particulars of the qualifications, experience and special responsibilities of each Director as at the date of this report are set out on pages 23 to 25 of the Financial Report and form part of this Directors' Report. Particulars as to the number of Directors' meetings (including meetings of the Audit Risk

Management and Compliance and the Nomination and Remuneration Committees of Directors) and the number of meetings attended by each of the Directors of the Company during the year are set out on page 25 of the Financial Report and form part of this Directors' Report. The interests of Directors in the share capital of the parent entity or in a related entity are contained in the register of Directors' shareholdings of the Company as at the date of this report and are set out on page 33 of the Financial Report and form part of this Directors' Report.

#### **(m) Company Secretary**

The role of Company Secretary was shared between Robert I. Alexander and David W. Watkins in the beginning of the year and Mark Heron has taken over the role from 7 November 2013. Laura Lou was appointed as Joint Company Secretary on 19 March 2014.

#### **Mark Heron ACIS, MBA (Joint Company Secretary)**

Mr Heron is an experienced and qualified senior manager with proven track record of achievement, commercialising two mid-tier B2B service companies, with leadership roles as general manager and in operations management. In addition, Mr Heron worked in Asia consulting to the United Nations, leveraging his skills in business analysis, investigation, risk, and performance management highlighting his senior management experience in both the private and public sectors. Mr Heron holds an MBA from Otago University, is a current member of the Institute of Directors and a qualified Chartered Company Secretary. Mr Heron was appointed on 7 November 2013.

#### **Laura Lou BCom, BA, MBEnv(SustDev) (Joint Company Secretary)**

Ms Lou joined Ligare as a sales representative in 2007 and moved into the role of Group coordinator for OPUS Group in 2008 to support the executive management team. Her role has expanded in 2014 to include company secretary and group

HR duties. She holds a Bachelor of Commerce, Bachelor of Arts and a Masters of Sustainable Development from the University of NSW. Ms Lou was appointed on 19 March 2014.

## (n) Rounding of amounts

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

## (o) Remuneration Report

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

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

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

## Principles used to determine the nature and amount of remuneration

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

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

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

## Key management personnel identification

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

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

\*resigned 17 March 2014



Remuneration is accordingly set to the following principles:

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

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

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

#### *Use of remuneration consultants*

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

#### *Nomination and Remuneration Committee*

OPUS Group has a Nomination and Remuneration Committee which has been established by the Board of Directors to annually review, evaluate and

make recommendations to the Board in relation to remuneration, including:

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

#### **Remuneration and other transactions with key management personnel**

##### *Key management personnel remuneration*

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

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

# DIRECTORS REPORT *cont.*

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

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

\*Inclusive of superannuation

#Resigned 17 March 2014

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

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

## *Short-term performance incentives*

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

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

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

## *Link of historical financial performance to performance incentives*

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

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

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

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

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

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

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

#### *Long-term performance incentives*

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

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

#### *Retirement benefits*

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

#### *Performance assessment*

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

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

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

# DIRECTORS REPORT *cont.*

## Details of remuneration

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

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

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

- (1) Cash salary and fees includes movements in the annual leave provision where applicable.
- (2) Non-monetary benefits comprise salary sacrificed components of remuneration packages including motor vehicles and related fringe benefits tax, medical insurance premiums and private telephone expenses.
- (3) Remuneration disclosed for FY14 includes \$150,000 (FY13 \$295,000) of consulting fees related to Mr Celarc's role consulting to the Publishing Services division for the OPUS Group. These fees are excluded from the limit of Director remuneration as disclosed on page 30.

Amounts disclosed as remuneration of Directors and Executives exclude premiums paid by the consolidated entity in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is disclosed on page 34.



### Shareholdings

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

#### 2014

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

### Convertible notes

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

Name	Balance at the start of the year Unit	Changes during the year (Unit)	Balance at the end of the year (Unit)	Balance at the date of this report (Unit)
<b>Directors of OPUS Group Limited</b>				
Richard F. Celarc and related entities	9,000	(9,000)	-	-
Bret P. Jackson <sup>1</sup> and related entities	21,000	(21,000)	-	-

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

### Consulting fees

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

### Lease costs

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

## *Loans to key management personnel*

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

The prior year balances have been restated to reflect this revised accounting treatment.

## *Indemnification and insurance of officers*

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

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

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

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

## **(p) Environmental regulation**

The OPUS Group is subject to environmental regulation in respect of its printing operations and manufacturing activities as set out below.

The OPUS Group has printing operations which are required to comply with a number of Australian pollution control and environmental regulations. The businesses concerned take all reasonable precautions to minimise the risk of an environmental incident, including the removal of solid and liquid wastes by licensed contractors, arranging environmental compliance audits by qualified external organisations and ensuring that personnel receive appropriate training. There have been no material instances of non-compliance with environmental regulations during the year.

## **(q) Non-audit services**

The auditor of the OPUS Group was PricewaterhouseCoopers for the year ended 30 June 2014.

The OPUS Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the OPUS Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit services provided during the year are set out below. The auditor was not engaged to provide non-audit services for the year ended 30 June 2014 and 2013.

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

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

\*Fee includes the half-year review for the period ended 31 December.

The remuneration for services disclosed above only includes fees paid to auditors whilst they were appointed as auditor to the Company or its subsidiaries.

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 36.

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



William J. Mackarell  
Chairman



## Auditor's Independence Declaration

As lead auditor for the audit of Opus Group Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Opus Group Limited and the entities it controlled during the year.

A handwritten signature in blue ink, appearing to read 'P. Carney'.

Paddy Carney  
Partner  
PricewaterhouseCoopers

25 September 2014

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# CORPORATE GOVERNANCE STATEMENT

The OPUS Group is committed to implementing the ASX Corporate Governance Council's ("Council") Corporate Governance Principles and Recommendations. Where the OPUS Group's Corporate Governance practices do not correlate with all the practices recommended by the Council, or the OPUS Group does not consider it practicable or necessary to implement some principles due to the size and stage of development of its operations, the Board's reasoning for any departure is explained.

The OPUS Group complies with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Set out below are the fundamental Corporate Governance practices of the OPUS Group.

## **Principle 1: The Board lays solid foundations for management and oversight**

### *Role of the Board*

The Board's role is to govern the OPUS Group and has thereby established the functions reserved to the Board. In governing the OPUS Group, the Directors must act in the best interests of the OPUS Group as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the OPUS Group.

### *Responsibilities of the Board and Board Processes*

In general, the Board is ultimately responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the OPUS Group. The Board of Directors of the OPUS Group are responsible for establishing the Corporate Governance framework. The Board guides and monitors the business affairs of the OPUS Group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board is required to do all things that may be necessary to be done in order to carry out the objectives of the





OPUS Group. The Board delegates authority to senior executives and management to carry out delegated duties in support of the objectives of the OPUS Group.

The Board has established the following committees to assist it in discharging its functions:

- Audit Risk Management and Compliance Committee; and
- Nomination and Remuneration Committee.

The Board's functions and the functions delegated to senior executives are set out in the Board Charter which is available on the OPUS Group's website under "Corporate Governance".

The Board holds regular meetings and is expected to meet periodically throughout the year. Directors' attendance at meetings this year is set out on page 25 of this Annual Financial Report.

It is the role of senior management to manage the OPUS Group in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

#### *Performance Review / Evaluation – The Nomination and Remuneration Committee's Role*

In accordance with its Charter, the Nomination and Remuneration Committee is structured such that it consists of a majority of independent Directors, is chaired by an independent Director and has at least 3 Directors.

The Nomination and Remuneration Committee is established by the Board of Directors to annually review, evaluate and make recommendations to the Board in relation to:

- Non-executive Director remuneration.
- Staff incentive plans proposed by the Chief Executive Officer, including bonus, share and option plans, and the basis of their application amongst differing levels of staff. This is supported by an annual performance review based on key performance indicators and milestones achieved.
- Salary, benefits, and total remuneration packages of the Chief Executive Officer and senior staff reporting

to the Chief Executive Officer. This is supported by an annual performance review based on key performance indicators and milestones achieved.

- Employee succession planning to ensure the continuity and quality of management.

The Nomination and Remuneration Committee is required from time to time to review, evaluate and if appropriate approve the following:

- Chief Executive Officer's recommendation for overall annual salary movements for business unit salary reviews.
- Salary, benefits, and total remuneration package of individual executives as recommended by the Chief Executive Officer.
- Substantial changes to the principles of the OPUS Group's superannuation arrangements recommended by the Chief Executive Officer.

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

#### **Principle 2: The Board is structured to add value**

##### *Board composition and nomination*

The Board currently comprises five Directors, one of whom is Mr Celarc, who is an executive Director. Three of the remaining four Directors are independent Non-executive Directors. Mr Jackson is not considered an independent director due to his substantial shareholding in the OPUS Group however he is deemed to be a Non-executive Director. Further details about the Directors including skills, experience and term of office are set out on pages 23 to 25 of this Annual Financial Report.

The OPUS Group recognises the importance of non-executive Directors and the external perspective and advice that non-executive Directors can offer. It is the approach and attitude of each non-executive Director which determines independence and this must be considered in relation to each Director, while taking into account all other relevant factors including those set out in the Board Charter (available on the OPUS Group's website under "Corporate Governance"). Determination of the independence of each Director is made with

reference to the factors set out in the Board Charter that list the relationships affecting independent status. The Board is comprised of a majority of independent Directors, and the Chair of the Board is a non-executive Director. All non-executive Directors are deemed to be independent of the OPUS Group except Mr Jackson as noted above who is not independent.

The performance of non-executive directors is assessed formally by the Chairman of the Board on an annual basis.

When a new director is to be appointed a board skills matrix is prepared to review the range of skills, experience and expertise on the Board and to identify its needs. From this the committee will review potential candidates that align with the current Board composition requirements. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting. New directors participate in an induction program which is the responsibility of the Chairman of the Board. The induction program covers the expectations of the new member, their responsibilities, rights and terms and conditions of their employment.

Independent professional advice and access to information

Each Director has the right of access to all OPUS Group information and to OPUS Group's Senior Executives. Further, each Director and the Board collectively, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at OPUS Group's expense, with the approval of the Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

### **Principle 3: The Board promotes ethical and responsible decision making.**

#### *Code of conduct*

As part of its commitment to recognising its legal obligations, the legitimate expectations of stakeholders and promoting practices necessary to maintain confidence in the OPUS Group's integrity, the OPUS Group has established a Code of Conduct. The

code aims to provide guidance to Directors, Senior Executives, management and employees on the standards of personal and corporate behaviour and the responsibility and accountability required of the OPUS Group's personnel for reporting and investigating unethical practices. The code contains practices necessary to maintain external stakeholders' confidence in the OPUS Group's integrity, the practices necessary to take into account their legal obligations and the responsibilities of individuals for reporting and investigating reports of unethical practices.

A copy of the Code of Conduct is available on the OPUS Group's website under "Corporate Governance".  
Securities trading policy

The OPUS Group has adopted a securities trading policy for the Directors, Senior Executives, employees, consultants and contractors of the OPUS Group which is appropriate for an entity whose shares are admitted to trading on the ASX.

This policy was issued in April 2012 at the time of listing. To ensure there is no avoidance of doubt of compliance, Directors and other employees are directed to consult with the Company Secretary. A copy of the Securities Trading Policy is available on the OPUS Group website under "Corporate Governance".

#### *Diversity*

The OPUS Group has developed a diversity policy, a copy of which can be found on the OPUS Group website under "Corporate Governance". The Diversity Policy reflects the OPUS Group's commitment to workplace diversity and compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. A diverse workforce is one that recognises and embraces the value that different people can bring to a company through their gender, age, ethnicity, cultural background, marital status, sexual orientation and/or religious beliefs. The OPUS Group promotes a diverse workforce by aiming to ensure that all employees and applicants for employment are fairly considered according to their skills, qualifications, abilities and aptitudes without regard to factors that are irrelevant to the person's skill or ability to fulfil the inherent job requirements.



The OPUS Group has or will introduce the following initiatives to specifically assist with improving gender diversity:

- (a) mentoring programs and professional development programs targeted at female employees to prepare them for management positions;
- (b) promoting a safe work environment by taking action against inappropriate workplace and business behaviour (including discrimination, harassment, bullying, victimisation and vilification);
- (c) networking opportunities; and
- (d) supporting the promotion of women to management roles.

The OPUS Group believes that promoting a diverse workforce:

- (a) enables the OPUS Group to achieve improved outcomes by benefiting from the differing perspectives and expertise that people from diverse backgrounds bring to their roles;
- (b) better represents the diversity of the OPUS Group's stakeholders; and

- (c) is consistent with the OPUS Group's broader Corporate Governance Principles, specifically the Ethics and Responsible Business Conduct Policy and the OPUS Group's Equal Employment Opportunity Policy.

The Board has established the following measurable objectives for achieving gender diversity:

- (a) the number of women employed throughout the OPUS Group will track to at least 30% of total employees;
- (b) the OPUS Group will aim to have at least 15% of senior management positions occupied by women; and
- (c) whilst it is essential the Board comprises Directors with the right blend of expertise, skills and experience it is envisaged that by 2015 the Board will have at least one female director.

The Board is committed to have an appropriate blend of diversity within the OPUS Group and especially within the Senior Executive team. Gender diversity is a key area of focus of the Board and will continue to be so. The ratio of male to female participation at all levels of the business as at 30 June 2014 is as follows:

**2014**  
Board  
Senior Management  
Operational Staff  
Back Office Staff  
**Total Board and employees**

Male	Female	Total
5	-	5
19	4	23
303	94	397
44	58	102
371	156	527
70%	30%	100%

**2013**  
Board  
Senior Management  
Operational Staff  
Back Office Staff  
**Total Board and employees**

Male	Female	Total
6	-	6
10	3	13
340	119	459
34	38	72
390	160	550
71%	29%	100%

## **Principle 4: The Board safeguards integrity in financial reporting**

The Board has established an Audit Risk Management and Compliance Committee to assist the Board safeguard the integrity of financial reporting. The responsibilities of the Committee are set out in a formal charter approved by the Board. This charter is available on the OPUS Group's website under "Corporate Governance". The Committee currently comprises 4 non-executive Directors. Mr Sclater is the Chair of the Committee and an independent non-executive Director. Mr Jackson, Mr Mackarell and Mr Rowell are also members of the Committee. The composition of the Committee satisfies the Board's requirements in performing the Committee's function given the size and complexity of the business at present.

The Audit Risk Management and Compliance Committee Charter sets out the procedure for the selection, appointment and rotation of external audit engagement partners.

Further details of the members of the Audit Risk Management and Compliance Committee and their attendance at committee meetings are set out on page 25 of this Annual Financial Report.

At the date of this report no internal audit function has been established. The OPUS Group works closely with its external auditors in respect to process improvement and the integrity of the information reported both internally and externally.

## **Principles 5 and 6: The Board makes timely and balanced disclosure and the Board respects the rights of shareholders**

The Board has designated the Chief Executive Officer and the Company Secretary as the individuals responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

The Board has established a written policy for ensuring compliance with ASX listing rule disclosure requirements and accountability at Senior Executive level for that compliance. This is covered by the

Communications Policy, which is available on the OPUS Group's website under "Communications Policy" within "Corporate Governance".

The Board provides shareholders with information by applying this policy. The policy includes identifying matters that may have a material effect on the price of the OPUS Group's securities, notifying them to the ASX, posting them on the OPUS Group's website and issuing media releases.

The Board respects the rights of its shareholders and to facilitate the effective exercise of those rights, by promoting effective communication with shareholders and encouraging shareholder participation at Annual General Meetings. The OPUS Group has established a communications policy which is available on the OPUS Group's website under "Corporate Governance", called "Communications Policy".

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the OPUS Group's strategy and goals. Important issues are presented to the shareholders as single resolutions.

## **Principle 7: The Board recognises and manages risk**

The OPUS Group is committed to the identification, monitoring and management of material business risks of its activities via its risk management framework. A copy of the risk management policy is available on the OPUS Group's website under "Corporate Governance", called "Summary of Risk Management Framework".

The Board assumes ultimate responsibility for the oversight and management of material business risks and satisfies itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control to manage the OPUS Group's material business risks.

The Board delegates the detailed work of this task to the Executive Management team and the Board periodically reviews this work. A key element in the risk management framework will be the reporting

by management on the key risks. The Audit Risk Management and Compliance Committee will oversee the adequacy and content of risk reporting from management.

The Board has received assurances from the Chief Executive Officer in relation to financial reporting risks.

The Board receives regular updates from management on whether the Company's material business risks are being managed effectively. This process is informally communicated by management through the Chief Executive Officer and in Board reporting at regular Board Meetings.

#### *Attestations by Chief Executive Officer*

In accordance with recommendation 7.3 of the ASX Corporate Governance Principles and Recommendations, the Chief Executive Officer have stated in writing to the Board that:

- The statement given in accordance with section 295A of the Corporations Act, is founded on a sound system of risk management and internal control which implements the policies adopted by the Board; and
- The OPUS Group's risk management and internal control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

### **Principle 8: The Board remunerates fairly and responsibly**

#### *Nomination and Remuneration Committee*

The OPUS Group has established a Nomination and Remuneration Committee which has responsibility for the formulation of remuneration policies. The role of the Nomination and Remuneration Committee is set out in a formal charter approved by the Board (available on the OPUS Group's website under "Corporate Governance"). Its responsibilities, among other responsibilities are to:

- 1) Determine appropriate compensation arrangements for the Directors, Senior Executives and employees;
- 2) Determine Senior Executive and Non-Executive remuneration policies;

- 3) Develop and review equity based plans; and
- 4) Make these recommendations for the consideration by the Board.

#### *Remuneration Report and remuneration policies*

The Board (with the assistance of the Nomination and Remuneration Committee) has established a policy to ensure that it remunerates fairly and responsibly. The remuneration philosophy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain talented and motivated Directors and employees. The Nomination and Remuneration Committee is responsible for the oversight of the OPUS Group and the establishment of a long-term incentive plan.

Directors' fees are determined within an aggregate Directors' fee pool limit, which will be periodically approved by shareholders at the Annual General Meeting. The current maximum fee pool is \$600,000 for Directors. This limit excludes consulting fees for services which are not in the capacity of being a Director of the OPUS Group. Non-executive Directors of the OPUS Group are entitled to participate in any equity plan of the OPUS Group where it is considered an appropriate element of remuneration in situations when the non-executive's skills and experiences are recognised as important to the Group's future development. Non-executive Directors do not receive retirement benefits, other than statutory superannuation entitlements.

Further details on the structure of Executive Directors, Non-Executive Directors and Senior Executives remuneration are set out in the Remuneration Report of this Annual Financial Report.

Personnel of the OPUS Group are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme, or otherwise awarded, or which will be offered by the OPUS Group in the future.

# ANNUAL FINANCIAL REPORT

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

		Consolidated	
	Note	30 June 2014	30 June 2013
		AUD\$'000s	(Restated) AUD\$'000s
Revenue from continuing operations	5	116,873	116,824
Other Income	7	1,145	1,165
Changes in inventories of finished goods, materials and work in progress		(34,149)	(33,134)
Other production costs and freight		(19,058)	(18,896)
Employee benefits expense	8	(40,499)	(39,994)
Occupancy costs		(5,417)	(4,941)
Depreciation and amortisation expense		(7,070)	(8,237)
Impairment of goodwill	20	(38,088)	-
Impairment of investment in associate	17	(182)	-
Gain on disposal of assets		(43)	3,465
Realised foreign exchange loss	9	(52)	(34)
Other expenses		(8,517)	(10,028)
<b>Operating loss before finance costs</b>		<b>(35,057)</b>	<b>6,190</b>
Finance revenue		41	53
Finance expenses		(7,303)	(6,715)
<b>Net finance costs</b>		<b>(7,262)</b>	<b>(6,662)</b>
Share of net profit / (loss) of associate	17	11	(116)
<b>Loss before income tax</b>		<b>(42,308)</b>	<b>(588)</b>
Income tax expense	10	(4,765)	(2,259)
<b>Loss after income tax</b>		<b>(47,073)</b>	<b>(2,847)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in fair value of cash flow hedges (net of tax)	27a	(88)	95
Exchange differences on translation of foreign operations	27a	1,798	1,320
<b>Other comprehensive income for the full year, net of tax from continuing operations</b>		<b>1,710</b>	<b>1,415</b>
<b>Total comprehensive income for the full year</b>		<b>(45,363)</b>	<b>(1,432)</b>
		<b>Cents</b>	<b>Cents</b>
Basic (loss) per share	2	(40.18)	(5.30)
Diluted (loss) per share	2	(40.18)	(5.30)

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



## Consolidated Statement of Financial Position as at 30 June 2014

		Consolidated	
		30 June 2014	30 Jun 2013
		AUD\$'000s	Restated AUD\$'000s
	Note		
<b>Current assets</b>			
Cash	12	3,516	3,163
Trade and other receivables	13	13,640	12,641
Inventories	14	4,735	5,127
Other current assets	15	1,960	2,375
Assets classified as held for sale	16	-	70
Assets of disposal group	6	-	12,592
<b>Total current assets</b>		<b>23,851</b>	<b>35,968</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	17	611	782
Property, plant and equipment	19	24,891	28,132
Deferred tax assets	21	-	4,108
Intangibles	20	16,779	46,750
Other non-current assets	19b	995	1,264
<b>Total non-current assets</b>		<b>43,276</b>	<b>81,036</b>
<b>Total assets</b>		<b>67,127</b>	<b>117,004</b>
<b>Current liabilities</b>			
Bank overdraft	12	1,500	1,500
Trade and other payables	22	14,183	12,108
Provision for income tax		558	1,298
Derivative financial instruments	23	1,053	717
Interest bearing liabilities	24	50,964	29,963
Provisions	25	5,854	5,283
Liabilities of disposal group	6	-	2,807
<b>Total current liabilities</b>		<b>74,112</b>	<b>53,676</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	23	-	845
Interest bearing liabilities	24	1,398	28,665
Provisions	25	553	1,042
Deferred tax liabilities	21	604	730
<b>Total non-current liabilities</b>		<b>2,555</b>	<b>31,282</b>
<b>Total liabilities</b>		<b>76,667</b>	<b>84,958</b>
<b>Net (liabilities) assets</b>		<b>(9,540)</b>	<b>32,046</b>
<b>Equity</b>			
Share capital	26	43,130	39,353
Reserves	27a	1,395	(315)
Accumulated losses	27b	(54,065)	(6,992)
<b>Total (deficiency) / equity</b>		<b>(9,540)</b>	<b>32,046</b>

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

# ANNUAL FINANCIAL REPORT *cont.*

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

Consolidated	Note	Share Capital AUD\$'000s	Reserves AUD\$'000s	Accumulated losses AUD\$'000s	Total AUD\$'000s
<b>Balance at 1 July 2012 (as previously reported)</b>		39,353	(1,730)	(3,075)	34,548
Adjustment	34			(1,070)	(1,070)
<b>Balance as at 1 July 2012 (restated)</b>		39,353	(1,730)	(4,145)	33,478
Loss after income tax		-	-	(2,847)	(2,847)
Changes in fair value of cash flow hedges net of tax	27a	-	95	-	95
Exchange differences on translation of foreign operations and internal borrowings	27a	-	1,320	-	1,320
<b>Total comprehensive income</b>		-	1,415	(2,847)	(1,432)
<b>Balance at 30 June 2013 (restated)</b>		39,353	(315)	(6,992)	32,046
Consolidated	Note	Share Capital AUD\$'000s	Reserves AUD\$'000s	Accumulated losses AUD\$'000s	Total AUD\$'000s
<b>Balance at 30 June 2013 (restated)</b>		39,353	(315)	(6,992)	32,046
Loss after income tax				(47,073)	(47,073)
Changes in fair value of cash flow hedges net of tax	27a		(88)		(88)
Exchange differences translation of foreign operations and internal borrowings	27a		1,798		1,798
Issue of ordinary shares in exchange of the Secured Redeemable Convertible Notes	26	3,791			3,791
Transaction costs arising on shares issue	26	(14)			(14)
<b>Total comprehensive income</b>		3,777	1,710	(47,073)	(41,586)
<b>Balance at 30 June 2014</b>		43,130	1,395	(54,065)	(9,540)

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

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

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### 1. Summary of significant accounting policies

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

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

##### *Basis of preparation*

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

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

##### *Compliance with IFRS*

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

##### *Restatement of comparative information*

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

##### *New and amended accounting standards adopted by the Group*

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

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

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



## Notes to the Financial Statements for the year ended 30 June 2014

### *Early adoption of Standard by the Group*

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

### *Impact of standards issued but not yet applied by the entity*

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

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

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

### *Revenue from contracts with customers:*

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

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

### *Historical cost convention*

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

### *Support from financier*

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

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

### *Recapitalisation plan*

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

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

### (b) Principles of consolidation

#### *Subsidiaries*

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

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

#### *Business combinations*

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

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

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### (c) Foreign currency translation

#### (i) Functional and presentation currency

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

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

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

#### (ii) Transactions and balances

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

#### (iii) Foreign operations

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

### (d) Revenue recognition

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

#### *Sale of products and goods*

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

#### *Provision of services*

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

#### *Other income*

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

#### *Government grants*

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### *Agency and commission arrangements*

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

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

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

### *Shipping and handling charges*

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

### *Volume, settlement and general discounting*

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

## **(e) Finance income and expenses**

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

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

## **(f) Investments in associates**

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

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

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

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

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



## Notes to the Financial Statements for the year ended 30 June 2014

### (g) Income tax

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

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

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

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

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

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

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

### (h) Parent entity financial information

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

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

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

#### (ii) Tax consolidation

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

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

### (j) Leases

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

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

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

### (k) Impairment of assets

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

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

Impairment losses are recognised in profit and loss.

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

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

#### *Assets carried at amortised cost*

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

## Notes to the Financial Statements for the year ended 30 June 2014

### *Assets classified as available-for-sale*

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

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

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

### **(l) Non-current assets held for sale**

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

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

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

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

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

### **(m) Goodwill**

#### *Recognition and nature*

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

#### *Impairment of goodwill*

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

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

### **(n) Cash and cash equivalents**

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

## Notes to the Financial Statements for the year ended 30 June 2014

### (o) Trade receivables

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

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

### (p) Inventories

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

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

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

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

### (q) Investments and other financial assets

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

#### *Financial assets at fair value through profit or loss*

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

#### *Held-to-maturity investments*

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

#### *Available-for-sale financial assets*

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

#### *Loans and receivables*

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

## Notes to the Financial Statements for the year ended 30 June 2014

### *Financial assets – reclassification*

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

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

### *Recognition and de-recognition*

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

### *Measurement*

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

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

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

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

## **(r) Borrowings and convertible notes**

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

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

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



## Notes to the Financial Statements for the year ended 30 June 2014

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

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

### (s) **Borrowing costs**

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

### (t) **Trade and other payables**

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

### (u) **Property, plant and equipment**

#### *Cost and recognition*

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

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

#### *Depreciation*

Land is not depreciated.

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

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### *Leased assets*

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

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

### *IT development and software*

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

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

## **(v) Other intangible assets**

### *Trademarks and licences*

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

### *Research and development*

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

## **(w) Derivatives and hedge accounting**

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

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

## **(x) Cash flow hedges that qualify for hedge accounting**

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

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

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

#### *Net investment hedges*

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

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

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

### (z) Provisions

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

Provisions are not recognised for future operating losses.

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

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

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

### (aa) Performance and financial guarantees

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

### (ab) Employee benefits

#### *Short-term obligations*

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

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

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

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

#### *Other long-term employee benefit obligations*

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

#### *Termination benefits*

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

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

### (ac) Contributed equity

Ordinary shares are classified as equity.

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

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

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## Notes to the Financial Statements for the year ended 30 June 2014

### (ad) Dividends

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

### (ae) Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

#### *Diluted earnings per share*

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### (af) Rounding of amounts

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

### (ag) Critical accounting estimates and assumptions

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

#### *Estimated recoverable amount of cash-generating units*

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

#### *Recognition of deferred tax assets*

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



## Notes to the Financial Statements for the year ended 30 June 2014

### 2. Loss per share

	<b>Consolidated</b>	
	<b>30 June 2014</b>	<b>30 June 2013 (Restated)</b>
Basic loss per share (cents ¢)	(40.18)¢	(5.30)¢
Diluted loss per share (cents ¢)	(40.18)¢	(5.30)¢
	<b>Consolidated</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
Loss used in calculating basic and diluted earnings per share	(47,073)	(2,847)
	<b>'000s</b>	<b>'000s</b>
Weighted average number of ordinary shares used as the denominator in calculating the basic and diluted loss per share	117,167	53,678

### 3. Financial risk management

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

The OPUS Group holds the following financial instruments:

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

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## Notes to the Financial Statements for the year ended 30 June 2014

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

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

### (a) Foreign exchange risk

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

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

### (b) Interest rate risk

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

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

### (c) Credit risk

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

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

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

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

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### (d) Liquidity risk

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

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

	Statement of financial position	Contractual cash flows	0-1 years	1-5 years	More than 5 years
	AUD\$000s	AUD\$000s	AUD\$000s	AUD\$000s	AUD\$000s
<b>30 June 2014</b>					
Finance lease liabilities	2,580	2,846	1,347	1,499	-
Secured loans	49,782	51,150	51,150	-	-
Bank overdraft	1,500	1,510	1,510	-	-
Cash flow hedges	1,053	1,112	1,112	-	-
Trade and other payables	14,183	14,183	14,183	-	-
<b>Total financial liabilities</b>	<b>69,098</b>	<b>70,801</b>	<b>69,302</b>	<b>1,499</b>	<b>-</b>

### 30 June 2013

Finance lease liabilities	3,107	3,497	976	2,521	-
Secured loans	52,384	56,696	26,989	29,707	-
Convertible note	3,137	3,602	3,602	-	-
Bank overdraft	1,500	1,532	1,532	-	-
Cash flow hedges	1,562	1,647	724	923	-
Trade and other payables	12,108	12,108	12,108	-	-
<b>Total financial liabilities</b>	<b>73,798</b>	<b>79,082</b>	<b>45,931</b>	<b>33,151</b>	<b>-</b>

### (e) Capital Management

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

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

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

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



## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

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

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

#### Sensitivity Analysis

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

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

#### 4. Business combinations

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

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

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

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

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

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

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

## 5. Segment reporting

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

### (a) Description of segments

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

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

#### *Publishing Services*

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

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

### *Outdoor Media*

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

### *(b) Segment revenue*

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

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

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

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

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

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

### *(d) Segment Information*

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

(e) *Other*

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

(f) *Segment assets and liabilities*

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

## 6. Discontinued operation

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

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

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

### *Assets and Liabilities held for sale*

	30 June 2014 AUD\$'000s	30 June 2013 AUD\$'000s
Current assets		
Trade receivables	-	2,914
Inventory	-	877
Other current assets	-	106
Non-current assets		
Property, plant and equipment	-	1,955
Goodwill	-	6,445
Deferred tax asset	-	288
Other non-current assets	-	6
<b>Total assets of disposal group</b>	<b>-</b>	<b>12,592</b>
	30 June 2014 AUD\$'000s	30 June 2013 AUD\$'000s
Current liabilities		
Trade and other payables	-	1,992
Employee-related provisions	-	718
Non-current liabilities		
Employee-related provisions	-	97
<b>Total liabilities of disposal group</b>	<b>-</b>	<b>2,807</b>



## Notes to the Financial Statements for the year ended 30 June 2014

### 7. Other Income

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

### 8. Employee benefits expense

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

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

### 9. Expenses

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### 10. Income tax

#### (a) Income tax expense

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

#### (b) Reconciliation of current income tax expense

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

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

Cash flow hedges	(301)	52
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#### (d) Tax losses

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

\* New Zealand jurisdiction tax rate

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

## Notes to the Financial Statements for the year ended 30 June 2014

### (e) *Franking credits*

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

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

### 11. **Auditors' Remuneration**

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

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

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### 12. Current assets – cash and cash equivalents

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

### 13. Current assets – trade and other receivables

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### 14. Current assets – inventories

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

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

### 15. Current assets – other

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

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

### 16. Current assets - held for sale assets (excluding assets of disposal groups)

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

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

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

### 17. Non-current assets – investments accounted for using the equity method

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

The Group has a 33⅓% shareholding in an associate company Denward Court Pty Limited which is incorporated in Australia and whose principal activity is trade print finishing. The investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting after initially being recognised at cost.



# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

	Consolidated	
	30 June 2014 AUD\$'000s	30 June 2013 AUD\$'000s
<i>(i) Movements in carrying amount</i>		
Carrying amount at the beginning of the financial year	782	1,038
Share of profit/(loss) after income tax	11	(116)
Dividends received	-	(140)
Less: Impairment loss	(182)	-
Carrying amount at the end of the financial year	611	782

<i>(ii) Share of associate's Profit/( loss)</i>		
Profit /(Loss) before tax	16	(164)
Income tax credit	(5)	48
<b>Profit/(Loss) after income tax</b>	<b>11</b>	<b>(116)</b>

*(iii) Summarised financial information of associate*  
**Group's share of:**

	Assets AUD\$'000s	Liabilities AUD\$'000s	Revenues AUD\$'000s	Profits/(Losses) AUD\$'000s
2014	2,027	1,094	1,877	11
2013	2,139	1,217	2,020	(116)

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

## 18. Particulars in relation to controlled entities Country of Incorporation

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

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

All investments represent 100% ownership interest.

## Notes to the Financial Statements for the year ended 30 June 2014

### 19. Non-current assets – property, plant and equipment

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

#### (a) Reconciliations

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

### (b) Sale and leaseback transaction

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

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

### (c) Finance Leases

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

### (d) Non-current assets pledged as security

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

## 20. Non-current assets – intangibles

	Consolidated	
	30 June 2014 AUD\$'000s	30 June 2013 AUD\$'000s
Goodwill	16,779	46,750
<b>Total intangibles</b>	<b>16,779</b>	<b>46,750</b>

## Notes to the Financial Statements for the year ended 30 June 2014

### (a) Reconciliations

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

#### Carrying amount

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

### (b) Impairment testing

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

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

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

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

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

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

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

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

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

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

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

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

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

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

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



## Notes to the Financial Statements for the year ended 30 June 2014

### 21. Non-current – deferred tax balances

#### Deferred tax assets

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

#### Movements

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### Recognition of deferred tax assets

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

### Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

Property, plant and equipment  
Inventories  
Other

Total deferred tax liabilities

Set off deferred tax assets

Net deferred tax liabilities

Consolidated	
30 June 2014 AUD\$'000s	30 June 2013 AUD\$'000s
683	801
122	105
72	-
877	906
(273)	(176)
604	730

### Movements

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

Deferred tax liabilities to be settled within 12 months  
Deferred tax liabilities to be settled after more than 12 months  
Net deferred tax liabilities

Consolidated	
30 June 2014 AUD\$'000s	30 June 2013 AUD\$'000s
604	730
-	-
604	730

## Notes to the Financial Statements for the year ended 30 June 2014

### 22. Current liabilities – trade and other payables

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

### 23. Derivative financial instruments

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

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

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

### 24. Interest bearing liabilities

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### *CBA debt financing*

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

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

### *Convertible notes*

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

### *Movements in Convertible notes*

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

## 25. Provisions

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

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

### 26. Share capital

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

#### *Movements in ordinary share capital*

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

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

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

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

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



# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### 27. Reserves and accumulated losses

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

#### *(c) Nature and purpose of reserves*

##### *(i) Hedging reserve – cash flow hedges*

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

##### *(ii) Foreign currency translation reserve*

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### 28. Contractual commitments for expenditure

#### (a) Capital commitments

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

#### (b) Lease commitments

Non-cancellable operating lease rentals are payable as follows:

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

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

#### (c) Finance lease commitments

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### 29. Contingent liabilities

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

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

### 30. Related parties

#### *Key management personnel compensation*

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

Details of above remuneration disclosures are provided in the Remuneration Report on pages 28 to 34.

#### *Lease costs*

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

#### *Consulting fees*

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

#### *Loans to key management personnel*

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

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

#### *Short-term loan from existing shareholders with conversion option*

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

## Notes to the Financial Statements for the year ended 30 June 2014

### Shareholdings

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

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

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

### 2013

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

## 31. Events Subsequent to the Balance Sheet Date

### Recapitalisation

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

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

### *Rationalisation*

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

## 32. Parent entity financial information

### *Summary financial information*

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

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

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

### (a) *Guarantees entered into by the parent entity*

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

### (b) *Contingent liabilities of the parent entity*

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



## Notes to the Financial Statements for the year ended 30 June 2014

### (c) Impairment

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

### 33. Deed of Cross Guarantee

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

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

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

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

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

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

## Notes to the Financial Statements for the year ended 30 June 2014

### (b) Consolidated Balance Sheet

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

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

# ANNUAL FINANCIAL REPORT *cont.*

## Notes to the Financial Statements for the year ended 30 June 2014

### (c) *Contingent liabilities and guarantees*

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

### (d) *Impairment*

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

## 34. Restatement of prior year reported balances

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

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

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

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

## Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 44 to 94 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

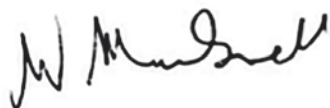
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer required by 295A of the Corporations Act 2001.

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



William J. Mackarell

Chairman

25 September 2014





## **Independent auditor's report to the members of OPUS Group Limited**

### ***Report on the financial report***

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

### ***Directors' responsibility for the financial report***

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

### ***Auditor's responsibility***

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

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

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

### ***Independence***

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

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### *Auditor's opinion*

In our opinion:

- (a) the financial report of OPUS Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (a).

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 28 to 34 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

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

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Paddy Carney*

Paddy Carney  
Partner

Sydney  
25 September 2014

# ADDITIONAL INFORMATION

Additional information as required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

## Shareholder Information

As at 29 August 2014 the OPUS Group had 3,923 holders of Fully Paid Ordinary Shares.

## Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

## Distribution of Shares (as at 29 August 2014)

Number of Shares	Fully Paid Ordinary Shares	Number of Holders
1-1,000	857,755	2,805
1,001-5,000	1,651,988	770
5,001-10,000	723,694	101
10,001-100,000	7,461,985	202
100,001-over	140,426,833	46
	<b>151,122,255</b>	<b>3,923</b>

The number of shareholders holding less than a marketable parcel is 3,663.

## Substantial Shareholders

The following shareholders are recorded as substantial shareholders:

Holder	Number of Shares	Last Notified	% of Issued Capital
Knox Investment Partners Ltd & its associates	84,729,779	12 February 2014	56.1%
Richard Francis Celarc & his associates	36,747,911	8 November 2013	24.3%
	<b>121,477,690</b>		<b>80.5%</b>

*Twenty Largest Shareholders (as at 15 September 2014)*

Rank	Name	Units	% of Units
1.	KNOX OPUS LP	68,260,002	45.17
2.	DMRA PROPERTY PTY LIMITED	29,184,076	19.31
3.	KNOX INVESTMENT PARTNERS FUND III AUD 5 LIMITED	8,347,647	5.52
4.	KNOX INVESTMENT PARTNERS FUND III AUD 4 LIMITED	8,100,784	5.36
5.	MR RICHARD CELARC <RICHARD CELARC FAMILY A/C>	5,253,837	3.48
6.	MR RICHARD FRANCIS CELARC <RICHARD CELARC FAMILY A/C>	2,493,917	1.65
7.	TAKATIMU INVESTMENTS LIMITED <TAKATIMU INVESTMENT A/C>	2,302,846	1.52
8.	MR PETER JOHN STIRLING + MRS ROSALIND VERENA STIRLING	1,990,983	1.32
9.	MR CLIFFORD DOUGLAS JOHN BRIGSTOCKE	1,704,117	1.13
10.	MR DAVID JOHN DANIEL + MRS DEBRA MARGARET DANIEL	1,686,329	1.12
11.	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,468,929	0.97
12.	MR BRIAN ROBERT STAFFORD-BUSH	839,250	0.56
13.	STIRLING SUPERANNUATION PTY LTD	752,250	0.50
14.	CARROLL CORPORATION PTY LTD <CARROLL FAMILY A/C>	664,053	0.44
15.	MR CHUN KEI LEUNG <ALPHA TRIANGEL FAMILY A/C>	540,036	0.36
16.	MR JOHN GASSNER	357,501	0.24
17.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	321,872	0.21
18.	R G GLEESON INVESTMENTS PTY LTD <GLEESON SUPER FUND A/C>	316,577	0.21
19.	PROVAL HOLDINGS LIMITED	288,907	0.19
20.	MR JOHN GASSNER + MR NATHAN ROTHCHILD	275,264	0.18

*Share Buy-Backs*

There is no current on-market buy-back scheme.

*Other Information*

OPUS Group Limited, incorporated and domiciled in Australia, is a Listed Public Company limited by Shares.

# CONTENT FEAST SMART

