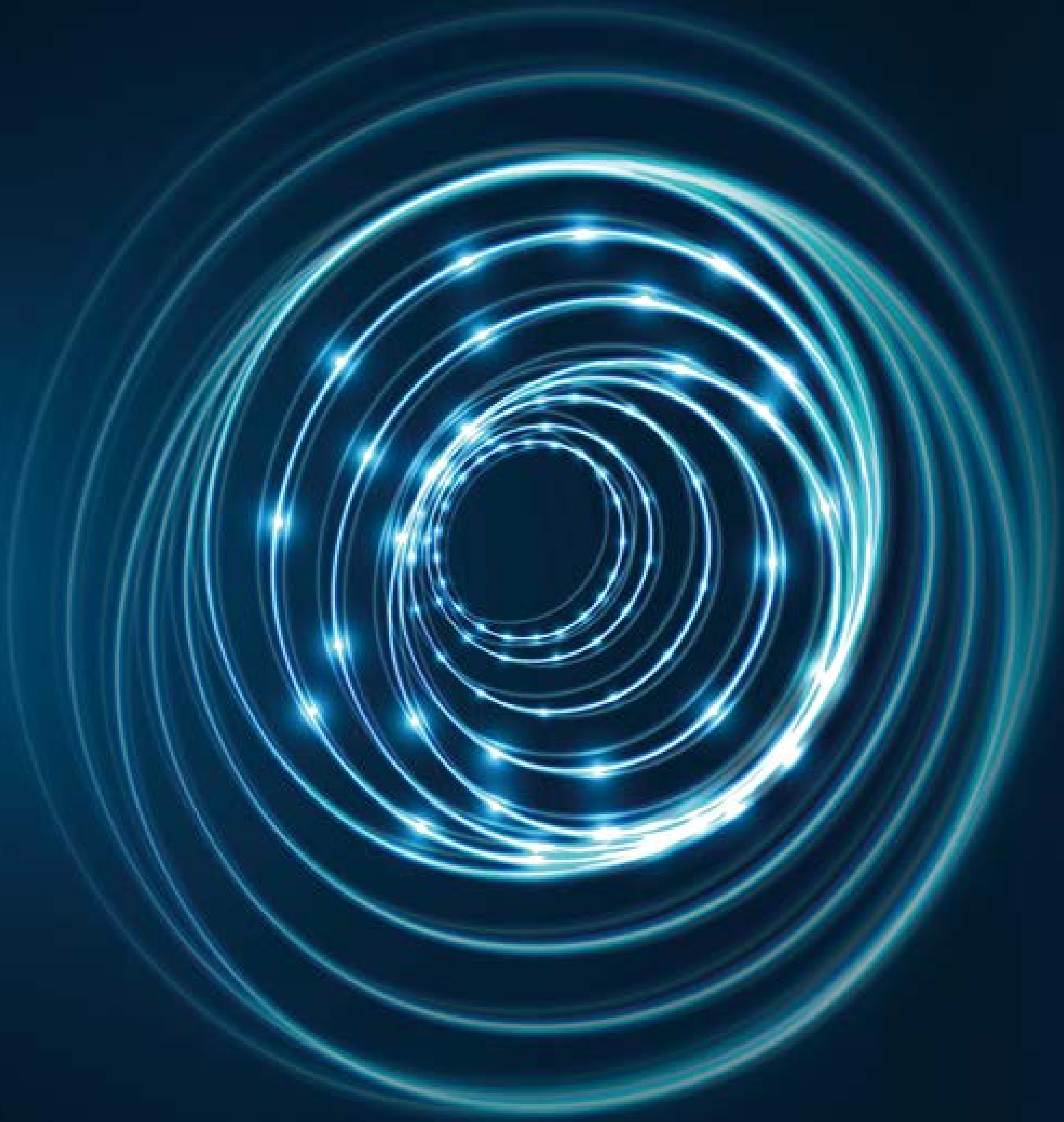
Annual Report
Year ended 31 December 2016



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

CONTENT
FASTER
SMARTER

OPUS
GROUP

Index

Company Directory

DIRECTORS

Richard F. Celarc
Chairman / Executive Director

C. K. Lau
Executive Director

M. L. Lam
Executive Director

Paul A. Young
Non-Executive Director

COMPANY SECRETARIES

Laura Lou

Virginia Lee

REGISTERED OFFICE AND POSTAL ADDRESS

138 Bonds Road, Riverwood, NSW 2210

CONTACT NUMBERS

Telephone: (02) 9533 2555

Facsimile: (02) 9533 3719

AUDITORS

BDO East Coast Partnership

Level 11, 1 Margaret Street

Sydney, NSW 2000

SHARE REGISTRY

Boardroom Pty Limited

Level 12, 225 George Street

Sydney, NSW 2000

GPO Box 3993

Sydney, NSW 2001

Telephone:1300 737 760 / (02) 9290 9600

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

WEBSITE

www.opusgroup.com.au

Chairman and CEO Letter

Dear Fellow Shareholder,

On behalf of the OPUS Group Board and the management team, I am delighted to present our Annual Report for the full year ended 31 December 2016.

2016 has been an exciting year for the OPUS Group ('OPUS' or the 'Group'), with the management team continuing the hands on approach in working with each of our businesses , together with the Group selling C.O.S. Printers and making a full divestment of the Out of Home division with the sale of Cactus Imaging in August 2016. As announced at the time, our exit from the Outdoor Media market allows the Group to dedicate resources to our Publishing Services division with the net proceeds of the sale being used as working capital for the Group.

Our 2016 results are reflective of these activities and prove the strength of our collective capabilities to service our core product markets.

Overall, the Group's 2016 combined revenue remained on par with 2015 full year: December 2015 $87.2million compared to December 2016 $87.0million with an improved profit before tax of 34% compared to 2015.

For continuing operations in the publishing division, pleasingly, revenue wins from new business and continued focus on operational efficiency resulted in increased 2016 revenue of 8% or $6.2million compared to 2015 with an improved profit before tax of 26% compared to 2015.

1010 Printing Group ('1010'), continues as a strong supporter of OPUS in system improvements, automation as well as supply chain consolidation and refinements.

Publishing Services Division

With the sale of Singapore based C.O.S. Printers to 1010 completed in May 2016 as announced at the time, our publishing services division currently consists of McPherson's Printing, Ligare Book Printers, CanPrint Communications, Union Offset and Canberra Mailing.

2016 continued the convergence of speed, quality and price for the majority of our publishing customers with the emphasis on evolving the supply chain to balance the needs of stock holding, producing less more often and delivering faster.

The read-for-pleasure market and to a lesser extent, the professional and educational market's demand for printed books continued its positive momentum in 2016 with general predictions pointing to a stabilisation in print and e-book volumes with the former continuing to dominate in the domestic market.

With the division now operating exclusively in Australia, our capital expenditure (capex) plan will continue to focus investment for solutions that improve the speed, efficiency and cost basis of our operations so that we can meet our customers' expectations and continue to deliver positive results for our shareholders.

We continue to make selective capex investments to deliver on our promise of improved speed to market and boost our capabilities to maintain our competitiveness. The new hard cover binding line installed at our Riverwood site in late 2016 is a good example of an investment that will improve production efficiency and boost site capabilities. We are also looking to leverage our in-house embellishment capabilities and cross-site support to improve operational efficiency to ensure we are able to meet our customers' requirements.

2017 Outlook

Operating now exclusively in Australia in our Publishing division, we will continue to focus resources on improving our value-add proposition to our publishing customers and maintain the positive momentum we gained in 2016 as a team with the continuous improvement mentality.

The ongoing convergence of speed, quality and price for our publishing customers means that market conditions will continue to be dynamic. However, we believe that our businesses are well equipped to align and adapt to our customers' requirements so that we will continue to deliver strong results for our shareholders.

Using the foundations we set in place in 2015, 2016 has been our year to gain momentum and focus on our core business operations. I expect this momentum will continue in 2017 to ensure we remain a strong and sustainable print partner for our customers and continue to deliver value to our shareholders.

I would like to thank our staff, customers and suppliers for their support in 2016 and look forward to presenting our six months results in mid-2017 which I believe will continue to demonstrate a sustainable business model that can and will deliver results.

Yours faithfully,
Richard F. Celarc
Chairman

OPUS Business Model

The Board presents the *Operating and Financial Review* for the year ended 31 December 2016, which has been designed to provide the shareholders with a clear and concise overview of OPUS Group's operations, financial position, business strategies and prospects. The review also provides contextual information, including the impact of key events that have occurred during the year and material business risks faced by the business so that shareholders can make an informed assessment of the results and prospects of OPUS Group. The review complements the financial report.

Our Business Model

OPUS Group is an Australian, technology based printing group. 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. The OPUS Group offering includes a regional end-to-end value chain with facilities in the Australian Market and with global access through 1010 Printing Group Limited ("1010 Group"), a substantial shareholder of OPUS Group. 1010 Group is an international integrated print management company with printing facilities in China and Singapore; and sales offices and agents in Hong Kong, United States, the United Kingdom and Europe. OPUS's innovative regional solutions enable it to handle business services and technology-led communications solutions for Australia. The regional solution allows customers to select the optimal content solution based on product type, run length, timing, location, security and fulfilment.

During the year, OPUS Group disposed of C.O.S. Printers Pte, Ltd ("C.O.S."), the Publishing Services operation based in Singapore and Cactus Imaging Pty Ltd and Cactus Imaging Holdings Pty Ltd (the "Cactus Group"), the Outdoor Media operation based in Sydney. The divestments allow OPUS Group to stay focused on the Publishing Services Division in the Australian Market without distraction and maximise the synergies of partnering with 1010 Group, to strengthen its sourcing networks, bargaining power with suppliers and the excellence of industrial management experience. Upon the disposal of the Cactus Group on 1 August 2016, OPUS Group ceased activities in the Outdoor Media Division.

OPUS Group's competitive advantage is to combine the three strengths of specialisation, speed and scale. OPUS Group provides full service capability for specialist markets based on factors such as quality, technical capability specialised equipment, unique expertise and high value add services. OPUS Group is a leader in short run, time sensitive printing and business services and is aligned to meet clients' needs on speed through new digital technology. OPUS Group 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 and Division

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 Sydney, Canberra and Maryborough, 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

Upon the disposal of Cactus Group on 1 August 2016, OPUS Group ceased activities in the Outdoor Media Division.

Key Strategies

Value chain management

The additional resources available from 1010 Group have strengthened OPUS Group's procurement efficiency. Having these economies of scale is a key success factor in our industry. The combined procurement budget enables the expanded group to be one of the largest in the industry which will translate to a cost saving for the OPUS Group. The combined extensive network in the printing industry enables OPUS Group to have a strong back up and great flexibility on the services offering to its customers.

Operations efficiency

To assimilate and streamline the internal process among all the facilities, the OPUS Group ICT team is working to enhance the ERP system and standardise some operating systems. This will enable management to efficiently align and allocate resources amongst different facilities and better support the growing need for regional distribution and print solutions. The speed in execution and access to data is vital for success.

Technology upgrade

OPUS Group continues to upgrade its technology to increase its competitive edge and continues to invest in new printing technology and solutions. OPUS Group's non-traditional print elements and a growing range of products and services form part of OPUS Group's comprehensive offer to help publishers meet the changes currently taking place in their supply chain. OPUS Group Digital leverages off its internet trading and data exchange technology platform, providing an online content management and distribution system that also integrates with customers and with our digital printing equipment.

OPUS Group Digital is the mechanism by which OPUS Group's strategic prospects and its value chain extension strategy meet. The digital strategy for OPUS Group 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.

Operational and strategic focus

Following the successful capital restructure and cost base reset in 2014, OPUS Group is continually reviewing the market it operates in and resource allocation to ensure that operations are delivered in the most cost effective manner. Management continues to improve its cost structure and focus on markets with more opportunity for growth and scale in order to maximise shareholders' wealth.

Business Prospects, Opportunities and Risks

Having gone through a successful capital restructuring and comprehensive review of the existing facilities and cost base reset, OPUS Group has returned to profit since 2015. OPUS Group managed to retain key managers and customers through this process. The majority of capital reinvestment is now being directed towards new digital equipment to improve turnaround times and productivity to enhance our competitiveness. After securing the key customer contracts during the year revenue expected to continuously growth in the coming financial year despite of the keen competitive business environment.

The Board is cautious about the risks which may impact the future financial performance of OPUS Group when looking for opportunities in the markets. The opportunities, risks and the business prospects as a result of execution of the Board's strategy are discussed below:

Digital influence

The slow growth in the size of the publishing market and the threat of digital transformation is notable. The latest data shows printed books and e-books can co-exist. 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 a comprehensive solution offering. Known as OPUS Digital this includes but is not limited to micro-warehousing, fulfilment offers, e-book conversions, database mailing, web shop front development and management, subscription and EDM marketing services, both physical and online.

OPUS Group intends to leverage the new technologies to be a leaner and more efficient manufacturer of print related products. These include non-traditional print elements and a growing range of products and services as part of OPUS Group's comprehensive offer to help publishers meet the changes currently taking place in their supply chain.

Reduced print run sizes with increased order frequency

Publishers are reducing print costs and volumes. OPUS Group is facing the risk of printing market consolidation. As global publishers consolidate their supply chains and look to partners who can extend their service offering, speed to market becomes an essential to achieve success. OPUS Group continues to upgrade its technology, which includes in-house ERP system and digital print solutions, to meet customers' demand. The ability to print faster and more cost effectively is the competitive edge of OPUS Group.

Slow growth in the domestic economy and foreign exchange fluctuations

Upon the disposal of C.O.S. and Cactus Group, the provision of domestic publishing printing services will dominate OPUS Group's turnover in 2017. With the continuously slow growth in the domestic economy, OPUS Group's turnover may be adversely impacted by adverse consumer sentiment. The principal raw material used in OPUS Group's business is paper. Any weakness in the AUD will affect the paper price and hence dampen OPUS Group's profit margin.

OPUS Group has been reset to increase its competitiveness in the domestic market and is performing a wider role in the value chain by adding services and distribution platforms to support customers' needs. While OPUS Group is able to provide its customers with locational flexibility in Australia, we also have support from manufacturing facilities outside of Australia which allows OPUS Group to tailor an optimum solution to each customer.

2016 Operating and Financial Review

OPUS Group reported revenue of $86,965,000, which was $235,000 lower than the prior year (2015: $87,200,000). The slight drop was due to the divestment of New Zealand Outdoor Media business in October 2015 partly offset by the stable revenue growth in the Publishing Services Division. The profit for the Group after providing for income tax amounted to $14,894,000 (2015: $12,047,000).

Further details in respect of these results are provided below:

Reported Financial Performance

	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s	% Change Favourable / (unfavourable)
Revenue from continuing operations	86,965	87,200	(0%)
Operating expenses	(79,734)	(83,889)	5%
Other income	1,015	3,056	(67%)
Operating profit before net finance income/(cost) from continuing operations	8,246	6,367	30%
Net finance income/(cost)	116	(120)	197%
Profit before income tax from continuing operations	8,362	6,247	34%
Income tax benefit/(expense)	(2,854)	2,453	(216%)
Profit after income tax from continuing operations	5,508	8,700	(37%)
Profit from discontinued operations (net of income tax)	9,386	3,347	180%
Profit for the year	14,894	12,047	24%
Basic earnings per share (cents) from continuing operations	5.73¢	9.03¢	(37%)
Basic earnings per share (cents) from discontinued operations	9.76¢	3.47¢	181%
Diluted earnings per share (cents) from continuing operations	5.39¢	8.70¢	(38%)
Diluted earnings per share (cents) from discontinued operations	9.18¢	3.34¢	175%

2016 Operating and Financial Review (Continued)

Financial Highlights

Following the successful restructure of the OPUS Group in 2014, EBITDA and profit before income tax from continuing operations, have both improved.

The Publishing Services Division generated revenue of $86,977,000 which increased 8% when compared to 2015: $80,745,000. The Publishing Services Division managed to retain its key customers. No revenue from the Outdoor Media Division for the year ended 31 December 2016 was the result of divestment of the Outdoor Media business in New Zealand in October 2015 and reclassification of the remaining Outdoor Media business in Australia as a discontinued operation upon its disposal in August 2016.

The Publishing Services Division recorded an EBITDA of $12,416,000 which increased 13% when compared to 2015: $10,981,000. No EBITDA of Outdoor Media Division in the current year when compared to the prior year $1,877,000. Others represented the Group's activities in finance income and costs, staff costs and other corporate activities incurred under central corporate and treasury function which are not appropriate to be allocated to neither Publishing Services nor Outdoor Media segment.

	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s	% Change Favourable / (unfavourable)
Revenue			
Publishing Services Division	86,977	80,745	8%
Outdoor Media Division	-	6,455	(100%)
Other	(12)	-	100%
Total Revenue on continuing operations	**86,965**	**87,200**	**(0%)**
EBITDA			
Publishing Services Division	12,416	10,981	13%
Outdoor Media Division	-	1,877	(100%)
Others	(2,323)	(3,799)	39%
Total EBITDA from continuing operations	**10,093**	**9,059**	**11%**

	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s	% Change Favourable/ (unfavourable)
EBITDA from continuing operations	**10,093**	**9,059**	**11%**
Depreciation and amortisation expense	(1,847)	(2,692)	31%
Net finance income/(cost)	116	(120)	197%
Profit before income tax from continuing operations	**8,362**	**6,247**	**34%**

OPUS Group recorded profit before income tax from continuing operations of $8,362,000 (2015: $6,247,000). The net finance income was $116,000 (2015: net finance cost $120,000) as a result of the successful debt reduction.

2016 Operating and Financial Review (Continued)

Asset and Capital Structure as at date of the Consolidated Statement of Financial Position

	31 Dec 2016 AUD$'000s	31 Dec 2015 AUD$'000s
Total current assets	36,897	37,434
Total current liabilities	(16,390)	(20,986)
Net current assets	**20,507**	**16,448**
Cash:		
Finance lease liabilities	(90)	(151)
Cash and cash equivalents	17,519	11,459
Net cash	**17,429**	**11,308**
Total equity	**28,730**	**27,649**

The Consolidated Financial Position of OPUS Group continues its improvement after the recapitalisation transaction in late 2014. As at 31 December 2016, OPUS Group had total equity of $28,730,000 (2015:$27,649,000).

There is net working capital of $20,507,000 (2015:$16,448,000). The current ratio is 2.3 (2015: 1.8). OPUS Group had cash at year ended of $17,519,000 (2015: $11,459,000). The only interest bearing liabilities are the finance lease liabilities of $90,000 (2015: $151,000). OPUS Group's gearing ratio, which is calculated on the basis of the total interest-bearing debts over the total equity, is 0.3% (2015: 0.5%).

Directors' Report

The directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the "OPUS Group" or the "Group") consisting of OPUS Group Limited (referred to hereafter as the "Company" or "parent entity") and the entities it controlled at the end of, or during, the year ended 31 December 2016.

Directors

The following persons were directors of OPUS Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Richard F. Celarc
- C. K. Lau
- M. L. Lam
- Paul A. Young

(a) Information on Current Directors and Key Management Personnel

Richard F. Celarc
(Chairman, Executive Director and Chief Executive Officer)
Mr Celarc co-founded Ligare Pty Ltd 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 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 35 years, Mr Celarc has a wealth of industry knowledge and operational experience. He is well respected in industry with a reputation of high integrity and good work ethics.

Upon the role change of Mr Brigstocke on 22 March 2016, Mr Celarc was appointed as OPUS Group's Chief Executive Officer. Mr Celarc has indicated his intention to retire as the Chief Executive Officer of the Company after the Company's 2017 Annual General Meeting ("AGM") currently scheduled to be held in May 2017. He will continue his involvement with OPUS Group as Chairman of the Board of Directors and a senior advisor for a period of 3 years from the Company's 2017 AGM.

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

C. K. Lau (Executive Director)
Mr Lau was appointed as director in October 2014. He is Executive Director of 1010 Printing Group Limited (HKEX Stock Code 1127), the ultimate parent company of OPUS Group, and has been responsible for the overall strategic formulation of the 1010 Group since it commenced its printing business in 2005. Mr Lau was the managing director of an executive search consultancy business in Hong Kong. He also founded a HKEX main board listed printing company. Mr Lau obtained a Bachelor of Arts degree from the University of Minnesota and a Master of Business Administration degree from the Chinese University of Hong Kong.

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

M. L. Lam (Executive Director)
Ms Lam was appointed as director in November 2014. She is a practising certified public accountant in Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Ms Lam received her Doctor of Business Administration degree from the Hong Kong Polytechnic University and Master of Business Administration degree from the Chinese University of Hong Kong. Ms Lam has over 25 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organisation in Hong Kong. Ms Lam is currently a director of 1010 Printing Group Limited (HKEX Stock Code 1127).

Ms Lam is a member of the Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee.

Directors' Report (Continued)

(a) Information on Current Directors and Key Management Personnel (Continued)

Paul A. Young (Non-Executive Director)
Mr Young is the co-founder and an Executive Director of Baron Partners Limited, a corporate advisory business established in 1987, and has been in merchant banking in Australia for 30 years. He was formerly a chartered accountant in London and Sydney. He has extensive experience in the provision of corporate advice to a wide range of listed and unlisted companies including restructurings, capital raisings, initial public offerings and mergers and acquisitions.

Mr Young is an Honours Graduate with a Masters degree in Economics (University of Cambridge). He is a Fellow of the Institute of Chartered Accountants in England and Wales, holds an Advanced Diploma in Corporate Finance and is a Fellow of the Australian Institute of Company Directors.

Mr Young is a Non-Executive Director of ASX listed companies Ambition Group Limited, a recruitment business with operations in Australia, Asia and the United Kingdom, and of Byron Energy Limited, an oil and gas exploration and development business operating in the Gulf of Mexico, USA. He is also a Non-Executive Director of Performance Education Pty Ltd, a provider of private education, of Enware Australia Pty Ltd, a specialist manufacturer and marketer of plumbing and safety products and of Jura Espresso Australia Pty Ltd, an importer and marketer of automatic coffee machines.

Mr Young is the Chairman of the Audit Risk Management and Compliance Committee and of the Nomination and Remuneration Committee since 2014. He was appointed as non-executive director of the board in November 2014.

(b) Key Management Personnel

Clifford D.J. Brigstocke (Chief Executive Officer: 1 January 2016 – 22 March 2016, Managing Director (Sales and Marketing): 23 March 2016 – 1 May 2016)
Mr Brigstocke was Chief Executive Officer/Managing Director (Sales and Marketing) of OPUS Group. Mr Brigstocke has extensive publishing industry experience. 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.

Mr Brigstocke changed his role from Chief Executive Officer to Managing Director (Sales and Marketing) with effective from 22 March 2016 and subsequently resigned on 1 May 2016.

(c) Directors' Meetings

The number of meetings of Directors held during the year and the number of meeting attended by each Director were as follows:

Director	Eligible to attend	Attended
Richard F. Celarc (Chairman)	12	12
C. K. Lau	12	12
M. L. Lam	12	12
Paul A. Young	12	11

(d) Committee Membership

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

	Audit Risk Management and Compliance		Nomination and Remuneration	
Director	Eligible to attend	Attended	Eligible to attend	Attended
Richard F. Celarc	2	2	2	2
C. K. Lau	2	2	2	2
M. L. Lam	2	2	2	2
Paul A. Young (Chairman)	2	1*	2	2

**In the absence of Mr Young, Mr Celarc was the Acting Chairman for the committee meeting.*

(e) Principal Activities

The principal activities of the OPUS Group are providing printing services 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. Services also include the 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.

Directors' Report (Continued)

(e) Principal Activities (Continued)

(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. Upon the disposal of Cactus Imaging Pty Ltd and Cactus Imaging Holdings Pty Ltd (the "Cactus Group") on 1 August 2016, OPUS Group ceased activities in Outdoor Media.

(f) Dividends

Year ended 31 December 2016	Record date	Payment date	Amount per share Cents	Franked amount per share Cents
Special dividend	30 May 2016	10 June 2016	9	9
Interim dividend	13 Sep 2016	26 Sep 2016	1	1
Special dividend	13 Sep 2016	26 Sep 2016	1	1

On 28 February 2017 the directors declared a final dividend for the year ended 31 December 2016 of 1 cent per ordinary share to be paid on 9 June 2017 a total estimated distribution of $922,577 based on the number of ordinary shares on issue as at 28 February 2017. As the dividend was fully franked, there are no income tax consequences for the owners of OPUS Group relating to this dividend.

(g) Consolidated Results

The consolidated profit after income tax from operations of OPUS Group for the year ended 31 December 2016 was $14,894,000 (2015: $12,047,000).

(h) Review of Operations

The review of operations of the OPUS Group included in the Operating and Financial Review on pages 8 to 10 of the Financial Report and forms part of this report.

(i) Significant Changes in the State of Affairs

On 29 March 2016, OPUS Group entered into a conditional sale and purchase agreement to dispose of its 100% interest in C.O.S. Printers Pte, Ltd ("C.O.S.") which contributed a gain of $3,589,000 to the Group's consolidated profit from discontinued operations during the year. C.O.S. reported an operating profit after income tax of $217,000.

On 26 July 2016, OPUS Group also entered into a conditional sale and purchase agreement to dispose of the shares of Cactus Imaging Pty Ltd and Cactus Imagining Holdings Pty Ltd (the "Cactus Group") which contributed a gain of $4,804,000 to the Group's consolidated profit from discontinued operations during the year. The Cactus Group reported an operating profit after income tax of $776,000. Upon the disposal of the Cactus Group, the Group ceased its Outdoor Media Division.

There were no other significant changes in the state of affairs of OPUS Group during the financial year.

(j) Matters Subsequent to the end of Financial Year

From the end of the reporting period to the date of this report, there was no matter or circumstance that arose which has significantly affected, or may significantly affect OPUS Group's operations, the results of these operations, or OPUS Group's state of affairs in future financial years.

(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. Any additional information, which relates to likely developments in the operations and the expected results of those operations in financial periods subsequent to 31 December 2016, is not included as it would prejudice the interests of the OPUS Group.

(l) Share Options

No shares were issued during the year and up to the date of this report on the exercise of options granted.

Directors' Report (Continued)

(m) 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 11 to 12 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 12 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 18 of the Financial Report and form part of this Directors' Report.

(n) Company Secretary

The role of Company Secretary was shared between Laura Lou and Virginia Lee. The Company Secretaries both report directly to the Board of Directors.

Laura Lou
(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. 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.

Virginia Lee
(Joint Company Secretary)
Ms Lee is a member of the Institute of Chartered Accountants in England and Wales, Hong Kong Institute of Certified Public Accountants, and a fellow member of the Institute of Public Accountants. She has extensive accounting and company management experience. She held senior positions in various international organisations such as BDO Hong Kong, ABN AMRO Trust and the Salvation Army. Ms Lee holds a Masters of Business Administration from the University of Manchester. She joined OPUS Group in 2014.

(o) Rounding of Amounts

OPUS Group Limited is a Company of the kind referred to in the Australian Securities and Investment Commission ("ASIC") Corporation (Rounding in Financials/Directors' Reports) Instrument 2016/191 dated 24 March 2016. Amounts in the Financial Report and Directors' Report have been rounded off in accordance with legislative instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(p) Remuneration Report

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

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

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

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

Name	Period Covered	Position	Employer
Richard F. Celarc	1 Jan 2016 – 31 Dec 2016	Chairman	Under Consultancy arrangement
	23 Mar 2016 – 31 Dec 2016	Chief Executive Officer	Under Consultancy arrangement
Clifford D.J. Brigstocke	1 Jan 2016 – 22 Mar 2016	Chief Executive Officer	OPUS Group (Australia) Pty Limited
	23 Mar 2016 – 1 May 2016	Managing Director (Sales and Marketing)	OPUS Group (Australia) Pty Limited

Principles used to determine the nature and amount of remuneration
The objective 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:

Directors' Report (Continued)

(p) Remuneration Report (Continued)

- 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 OPUS Group's strategies and goals.

Remuneration is accordingly set to the following principles:

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

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

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, 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 31 December 2016 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 Non-Executive Directors receive no additional fees for their membership of the Board's Audit Risk Management and Compliance Committee and the Nomination and Remuneration Committee. Directors may direct the OPUS Group to make superannuation guarantee contributions, or additional superannuation contributions allocated from their Directors' or committee membership fees, to any complying nominated superannuation fund.

The total fixed remuneration packages inclusive of superannuation and other benefits for key management personnel of the OPUS Group at the date of this report are as follows:

Name	Term of agreement	Total fixed remuneration for the year	Notice period byExecutive	Notice period by OPUS Group	Termination payment
Richard F. Celarc#	Open	$363,425	Nil	Nil	Nil
Clifford D.J. Brigstocke (resigned on 1 May 2016)	Closed	$122,526	N/A	N/A	N/A

#Mr Celarc is not under an employment contract with OPUS Group. He was paid with consultancy fees through a related entity. Remuneration disclosed for year ended 31 December 2016 includes $347,000 of consulting fees.

Directors' Report (Continued)

(p) Remuneration Report (Continued)

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 is no guaranteed base pay increases included in any Senior Executives' contracts.

Non-Executive Director is not entitled to participate in any incentive scheme, nor is he eligible to receive share options.

Short-term performance incentives

The short-term incentives ("STI") program is designed to align the targets of the business units with the targets of those executives responsible for meeting those targets. Historically, OPUS Group's STI is based on EBITDA and individual KPI's.

For the year ended 31 December 2016, discretionary bonus of $29,167 was paid to key management personnel (2015: Nil) which did not link to any performance targets.

Long-term performance incentives

The OPUS Group is in the process of establishing a long-term incentive plan for key management.

Retirement benefits

Retirement benefits are delivered by a number of superannuation funds selected by the OPUS Group or the executives. 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.

This performance evaluation took place during the year 2016. The Chairman of the Nomination and Remuneration Committee is Mr Young, a Non-Executive Director.

Directors' Report (Continued)

(p) Remuneration Report (Continued)

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.

Year ended 31 Dec 2016									
	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments			
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long Service Leave $	Termination benefits $	Options $	Total $	Proportion of remuneration linked to performance
Directors of OPUS Group Limited									
Richard F. Celarc	362,000	-	-	1,425	-	-	-	363,425	0%
C. K. Lau	-	-	-	-	-	-	-	-	0%
M. L. Lam	-	-	-	-	-	-	-	-	0%
Paul A. Young	63,927	-	-	6,073	-	-	-	70,000	0%
Other Group Key Management Personnel									
Clifford D. J. Brigstocke*									
- CEO	78,952	-	9,796	7,831	(1,941)	-	-	94,638	0%
- Managing Director (Sales and Marketing)	71,804	29,167	543	3,811	(77,437)	-	-	27,888	0%
Total remuneration	576,683	29,167	10,339	19,140	(79,378)	-	-	555,951	

**Change of role from 22 March 2016 and resigned on 1 May 2016. The movement in Long Service Leave represented the reversal of provision.*

Year ended 31 Dec 2015									
	Short-term benefits			Post-employmentbenefits	Long-term benefits	Share-based payments			
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long Service Leave $	Termination benefits $	Options $	Total $	Proportion of remuneration linked to performance
Directors of OPUS Group Limited									
William J. Mackarell[%]	8,500	-	-	808	-	-	-	9,308	0%
Richard F. Celarc	325,000	-	-	2,375	-	-	-	327,375	0%
C. K. Lau	-	-	-	-	-	-	-	-	0%
M. L. Lam	-	-	-	-	-	-	-	-	0%
Paul A. Young	56,100	-	-	5,285	-	-	-	61,385	0%
Other Group Key Management Personnel									
Clifford D. J. Brigstocke	347,953	250	24,488	35,025	19,403	-	-	427,119	0%
Total remuneration	737,553	250	24,488	43,493	19,403	-	-	825,187	

[%]Resigned on 31 January 2015

(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 the year ended 31 December 2016 includes $ 347,000 (year ended 31 December 2015: $300,000) 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 Directors' remuneration as disclosed on page 15.

Directors' Report (Continued)

(p) Remuneration Report (Continued)

Amounts disclosed as remuneration of Directors and Executives exclude premiums paid by OPUS Group in respect of Directors' and Officers' liability insurance contracts. Further information relating to these insurance contracts is disclosed on page 19.

Additional information

The earnings of the OPUS Group for the five years/period to 31 December 2016 are summarised below:

	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s	Six months ended 31 Dec 2014 AUD$'000s	Year ended 30 Jun 2014 AUD$'000s	Year ended 30 Jun 2013 AUD$'000s
Sales revenue	86,965	87,200	57,969	116,873	116,824
EBITDA from continuing operations	10,093	9,059	1,950	10,294	14,311
EBIT from continuing operations	8,246	6,367	(898)	3,224	6,074
Profit/(loss) after income tax from continuing operations	5,508	8,700	(8,771)	(47,073)	(2,847)
Profit from discontinued operations (net of Income tax)	9,386	3,347	-	-	-
Profit/(loss) for the year/period	14,894	12,047	(8,771)	(47,073)	(2,847)

The factors that are considered to affect total shareholders return ("TSR") are summarised below:

	Year ended 31 Dec 2016 AUD	Year ended 31 Dec 2015 AUD	Six months ended 31 Dec 2014 AUD	Year ended 30 Jun 2014 AUD	Year ended 30 Jun 2013 AUD
Share price at financial year/period end ($)	0.49	0.50	0.43	0.40*	1.10*
Total dividends declared (cents per share)	12.00#	3.00	-	-	-
Basic profit/(loss) per share (cents per share)	15.49	12.50	(21.67)	(401.76)*	(53.04)*

 # Included a final dividend for the year ended 31 December 2016 of 1 cent per ordinary share declared by the directors on 28 February 2017.

**Restated to reflect the share consolidation on the basis of 1 for every 10 shares on 24 October 2014.*

Shareholdings

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

Year ended 31 December 2016

Name	Balance at the start of the year	Changes during the year	Balance at the end of the year	Balance at the date of this report*
Directors of OPUS Group Limited				
Richard F. Celarc	12,334,647	-	12,334,647	12,334,647
C. K. Lau	-	-	-	-
M. L. Lam	-	-	-	-
Paul A. Young	565,061	170,412	735,473	735,473
Other key management personnel of the Group				
Clifford D.J. Brigstocke* (resigned on 1 May 2016)	-	-	-	-

** As of 23 February 2017*

Directors' Report (Continued)

(p) Remuneration Report (Continued)

Other transactions with KMPs

Consulting fees

Consulting fees paid to Mr Celarc through Angrich Pty Limited for the year ended 31 December 2016 amounted to $347,000 (2015: $300,000). There was no outstanding balance with Angrich Pty Limited at 31 December 2016 (2015: Nil). These amounts are disclosed as part of Mr Celarc's remuneration noted on the previous pages.

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 has been renewed for another 5 years since the expiry on 31 December 2016. Lease fees paid for the year total $675,173 (2015: $654,540). There was no outstanding balance with D.M.R.A Property Pty Limited at 31 December 2016 (2015: Nil).

This concludes the remuneration report, which has been audited.

(q) Indemnification and Insurance of Officers

The OPUS Group has agreed to indemnify the current Directors and certain current Executives 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 Secretaries 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. The insurance policy operates on a claims made basis.

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 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.

Directors' Report (Continued)

(r) Indemnification and Insurance of auditors

During the financial year, OPUS Group has not paid a premium in respect of a contract to insure the auditors of OPUS Group or any related entity.

(s) 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.

(t) Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of OPUS Group, or to intervene in any proceedings to which OPUS Group is a party for the purpose of taking responsibility on behalf of OPUS Group for all or part of those proceedings.

(u) Non-audit Services

Details of the amounts paid or payable to the auditors for non-audit services provided during the financial year by the auditor are outlined in Note 29 of the Financial Report.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in Note 29 of the Financial Report do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

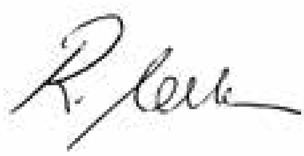
i. all non-audit services have been reviewed and approved by the Audit & Risk Management Committee to ensure that they do not impact the integrity and objectivity of the auditor; and

ii. none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the OPUS Group, acting as advocate for the OPUS Group or jointly sharing economic risks and rewards.

(v) Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

This report is made in accordance with a resolution of the Directors, pursuant to section 298 (2)(a) of the *Corporations Act 2001*.



Richard Celarc
Chairman

28 February 2017, Sydney

Auditor's Independent Declaration

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF OPUS GROUP LIMITED

As lead auditor of Opus Group Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. 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 period.

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 28 February 2017

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.

This statement has been approved by the Board and is current as at 28 February 2017.

The OPUS Group's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in either this statement, the OPUS Group's website or Annual Report, will be filed to ASX with the Group's Annual Report.

The ASX Principles and Recommendations and the OPUS Group's response as to how and whether it follows those recommendations are set out below.

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.

Corporate Governance Statement (Continued)

Principle 1: The Board lays solid foundations for management and oversight (Continued)

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 period is set out on pages 12 of this 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 is chaired by a Non-Executive 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, 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 Young, a Non-Executive Director. The other members of the Committee are Mr Lau, Mr Celarc and Ms Lam.

Principle 2: The Board is structured to add value

Board Composition and Nomination

The Board currently comprises four Directors, one of whom is Mr Celarc, who is Chairman and Executive Director. The other two Executive Directors are Mr Lau and Ms Lam. The remaining Director is Non-Executive Director, Mr Young. Further details about the Directors including skills, experience and term of office are set out on pages 11 to 12 of this Financial Report.

The OPUS Group recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Director can offer. 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.

Corporate Governance Statement (Continued)

Principle 2: The Board is structured to add value (Continued)

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 and modified in February 2016. 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".

Corporate Governance Statement (Continued)

Principle 3: The Board promotes ethical and responsible decision making (Continued)

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 the 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 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 31 December 2016 is as follows:

Year ended 31 December 2016	Male	Female	Total
Board	3	1	4
Senior Management	4	4	8
Operational Staff	178	59	237
Back Office Staff	31	24	55
Total Board and employees	216	88	304
	71%	29%	100%

Year ended 31 December 2015	Male	Female	Total
Board	3	1	4
Senior Management	9	2	11
Operational Staff	256	82	338
Back Office Staff	44	40	84
Total Board and employees	312	125	437
	71%	29%	100%

Corporate Governance Statement (Continued)

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 four Directors. Mr Young is the Chair of the Committee, Mr Lau, Mr Celarc and Ms Lam 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 12 of this 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 external auditor also presented at the AGM of the Company to answer questions relevant to the external audit.

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.

The OPUS Group provides its investors the option to receive communications from, and send communication to, the OPUS Group and the share registry electronically.

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.

Corporate Governance Statement (Continued)

Principle 7: The Board recognises and manages risk (Continued)

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:

a. Determine appropriate compensation arrangements for the Directors, Senior Executives and employees;
b. Determine Senior Executive and Non-Executive remuneration policies;
c. Develop and review equity based plans; and
d. 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 OPUS 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 Director and Senior Executives remuneration are set out in the Remuneration Report of this 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 Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

		Consolidated	
	Notes	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Continuing Operations			
Revenue	6(e)	86,965	87,200
Other income	7	1,015	3,056
Expenses:			
Changes in inventories of finished goods, materials and work in progress		(27,946)	(26,311)
Other production costs and freight	9	(18,062)	(17,510)
Employee benefits expense	8	(26,475)	(29,239)
Occupancy costs	9	(2,043)	(2,384)
Depreciation and amortisation expense		(1,847)	(2,692)
Other expenses	9	(3,361)	(5,753)
Operating profit before finance income/(cost) from continuing operations		8,246	6,367
Net finance income/(cost)		116	(120)
Profit before income tax from continuing operations		8,362	6,247
Income tax (expense)/benefit	10	(2,854)	2,453
Profit after income tax from continuing operations		5,508	8,700
Discontinued Operations			
Profit after income tax from discontinued operations	11	9,386	3,347
Profit for the year		14,894	12,047
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss			
De-recognition to profit or loss on disposal of discontinued operation	11(a)	816	-
Exchange differences on translation of foreign operations	24(a)	(33)	299
Other comprehensive income for the year		783	299
Total comprehensive income for the year		15,677	12,346

Annual Financial Report (Continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016 (Continued)

		Consolidated	
	Note	Year ended 31 Dec 2016 Cents	Year ended 31 Dec 2015 Cents
Earnings per share			
Basic earnings per share			
Earnings from continuing operations	4	5.73	9.03
Earnings from discontinued operations	4	9.76	3.47
Total		15.49	12.50
Diluted earnings per share			
Earnings from continuing operations	4	5.39	8.70
Earnings from discontinued operations	4	9.18	3.34
Total		14.57	12.04

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Annual Financial Report (Continued)

Consolidated Statement of Financial Position as at 31 December 2016

	Note	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
Current assets			
Cash and cash equivalents	12	17,519	11,459
Trade and other receivables	13	14,352	16,825
Inventories	14	3,765	6,430
Other current assets	15	1,261	2,720
Total current assets		**36,897**	**37,434**
Non-current assets			
Property, plant and equipment	17	7,063	8,183
Deferred tax assets	18	2,632	3,065
Other non-current assets		262	1,469
Total non-current assets		**9,957**	**12,717**
Total assets		**46,854**	**50,151**
Current liabilities			
Trade and other payables	19	12,320	13,888
Interest bearing liabilities	20	17	151
Employee benefits	21	3,945	5,076
Amount due to fellow subsidiary	27	-	700
Provision for income tax		108	1,171
Total current liabilities		**16,390**	**20,986**
Non-current liabilities			
Deferred tax liabilities	18	301	153
Interest bearing liabilities	20	73	-
Employee benefits	21	243	448
Provisions	22	1,117	915
Total non-current liabilities		**1,734**	**1,516**
Total liabilities		**18,124**	**22,502**
Net assets		**28,730**	**27,649**
Equity			
Share capital	23	6,036	70,594
Reserves	24(a)	9,591	8,808
Profits reserve	24(b)	13,103	11,083
Accumulated losses	24(c)	-	(62,836)
Total equity		**28,730**	**27,649**

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

Annual Financial Report (Continued)

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

Consolidated	Note	Share capital AUD$'000s	Reserves AUD$'000s	Profits reserve AUD$'000s	Accumulated losses AUD$'000s	Total AUD$'000s
Balance at 1 January 2016		70,594	8,808	11,083	(62,836)	27,649
Other comprehensive income, net of tax	24(a)	-	783	-	-	783
Profit after income tax	24(b)	-	-	14,894	-	14,894
Total comprehensive income for the year		-	783	14,894	-	15,677
Transactions with owners in their capacity as owners						
Dividend paid	24(e)	-	-	(12,533)	-	(12,533)
Capital reduction	23	(62,495)	-	-	62,495	-
Share buy-back	23	(2,063)	-	-	-	(2,063)
Transfer		-	-	(341)	341	-
Total changes in ownership interests		(64,558)	-	(12,874)	62,836	(14,596)
Balance at 31 December 2016		6,036	9,591	13,103	-	28,730

Consolidated	Note	Share capital AUD$'000s	Reserves AUD$'000s	Profits reserve AUD$'000s	Accumulated losses AUD$'000s	Total AUD$'000s
Balance at 1 January 2015		70,594	8,509	-	(62,836)	16,267
Exchange differences on translation of foreign operations	24(a)	-	299	-	-	299
Profit after income tax	24(b)	-	-	12,047	-	12,047
Total comprehensive income for the year		-	299	12,047	-	12,346
Transactions with owners in their capacity as owners						
Dividend paid	24(e)	-	-	(964)	-	(964)
Total changes in ownership interests		-	-	(964)	-	(964)
Balance at 31 December 2015		70,594	8,808	11,083	(62,836)	27,649

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

Annual Financial Report (Continued)

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	Note	Consolidated Year ended 31 Dec 2016 AUD$'000	Year ended 31 Dec 2015 AUD$'000s
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		110,593	124,096
Payments to suppliers and employees (inclusive of GST)		(98,978)	(116,310)
Net income tax paid		(3,548)	(1,312)
Other income		1,327	1,178
Interest received		201	77
Interest and borrowing costs paid		(175)	(199)
Net cash inflows from operating activities	12	9,420	7,530
Cash flows from investing activities			
Net cash inflows on disposal of subsidiaries	11	14,618	1,954
Payments for purchase of property, plant and equipment		(3,227)	(877)
Proceeds from the disposal of property, plant and equipment		113	772
Payment for deferred consideration for Blue Star acquisition		-	(540)
Dividends received from associate investments		-	375
Net cash inflows from investing activities		11,504	1,684
Cash flows from financing activities			
Payment for share buy-back	23	(1,996)	-
Dividend paid	24(e)	(12,533)	(964)
Transaction costs arising on share buy-back	23	(67)	-
Repayment of unsecured promissory note		-	(1,900)
Payment of finance lease liabilities		(117)	(1,967)
Net cash outflows from financing activities		(14,713)	(4,831)
Net increase in cash held		6,211	4,383
Cash and cash equivalents at the beginning of the financial year		11,459	7,119
Net effect of exchange rate changes on cash		(151)	(43)
Cash and cash equivalents held at the end of the financial year		17,519	11,459

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

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016

1. Corporate information

The consolidated financial statements of OPUS Group Limited and its controlled entities (collectively, "OPUS Group" or the "Group") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 February 2017. OPUS Group Limited (the "Company" or the "Parent") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (Stock Code: OPG). The ultimate parent of OPUS Group Limited is 1010 Printing Group Limited, a company listed in Hong Kong Stock Exchange (Stock Code: 1127), which owns 64.66 % of the ordinary shares as of 31 December 2016.

The Group is principally engaged in the provision of printing services. Upon disposal of Cactus Imagining Pty Ltd and Cactus Holdings Pty Ltd (the "Cactus Group") on 1 August 2016, OPUS Group ceased activities in Outdoor Media printing services. The Group's principal place of business was changed to 138 Bonds Road, Riverwood, NSW 2210, Australia. Further information on the nature of the operations and principal activities of the Group is provided in the Directors' report.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this Financial Report (referred to as the "Financial Report" or "Annual Financial Report") are set out below. These policies have been consistently applied to all of the periods presented, unless otherwise stated.

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* as appropriate for for-profit oriented entities. These consolidated financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated. When necessary, the comparative figures have been adjusted to conform to changes in presentation in the current year.

New, revised or amended Accounting Standards and Interpretations not yet mandatory or early adopted

The OPUS Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the OPUS Group.

The following Accounting Standards and Interpretations are most relevant to the OPUS Group:

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Amends AASB 101 *Presentation of Financial Statements* to provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.

The amendments provide additional guidance in the following areas:

- Materiality. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information (2) materiality considerations apply to the all parts of the financial statements and (3) even when a standard requires a specific disclosure, materiality considerations still apply, i.e. a specific disclosure is not required to be included in the financial report if it is not material to the entity

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss

New, revised or amended Accounting Standards and Interpretations not yet mandatory or early adopted

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following new, revised and amended Accounting Standards are most relevant to the Group:

AASB 15 Revenue from Contracts with Customers - effective from 1 January 2018

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 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. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying this new standard on the Group's financial statements and based on the preliminary assessment the adoption of this accounting standard will not have material impact to the Group as the majority of the contracts are relatively short term (from order being placed by customer to completion).

AASB 9 Financial instruments - effective from 1 January 2018

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Management is currently assessing the effects of applying this new standard on the Group's financial statements and based on the preliminary assessment the adoption of this accounting standard will not have material impact to the Group:

- new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- no hedge accounting adopted by the Group.
- new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139 and based on historical payment record of the Group's trade receivables and other receivables, there will not have significant impact to the Group.

AASB 16 Leases - effective from 1 January 2019

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $9,430,000, see note 25. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OPUS Group Limited as at 31 December 2016 and the results of all subsidiaries for the year then ended. OPUS Group Limited and its subsidiaries together are referred to in these consolidated financial statements as OPUS Group.

Subsidiaries are all entities over which OPUS Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group's companies are eliminated. 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 Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(c) Segment reporting

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker is responsible for the allocation of resources to operating segments and assessing their performance.

(d) 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 Consolidated Financial Report is presented in Australian Dollars ("AUD$"), which is 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 Pte, Ltd 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 Statement of Financial Position presented are translated at the closing rate at the reporting date;
- income and expenses for each profit or loss are translated at average exchange rates;
- all resulting exchange differences are recognised as a separate component of equity in the foreign currency translation reserve; and
- When a foreign operation is disposed of, in part or in full, the relevant amount of the reserve is transferred to profit or loss.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are initially translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rendering of services

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.

Agency and commission arrangements

When presenting revenues in the Consolidated Statement of Profit or Loss and Other Comprehensive Income consideration is given to whether the 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 amou nt retained can only be presented as revenue.

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

Finance income

Finance income is recorded using the effective interest rate ("EIR"). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Finance income is included in finance income in the Consolidated Statement of Profit or Loss.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or benefit 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 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 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 reporting 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.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

(g) Current and non-current classification

Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(h) Parent entity financial information

The financial information for the parent entity, OPUS Group Limited, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of OPUS Group Limited.

(ii) Tax consolidation

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

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

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

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST unless the 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 Consolidated Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the relevant tax authority.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(j) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 20). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (Note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to Consolidated Statement or Profit or Loss on a straight-line basis over the period of the lease.

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) Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(l) Trade receivables

Trade receivables are recognised initially at fair value, less provision for impairment. Collectability of trade receivables is reviewed on an ongoing basis.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The trade receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

Trade receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

(m) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost 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. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs of necessary to make the sale.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(n) Non-current assets (or disposal groups) held for sale and discontinued operations

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

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

Non-current assets 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 Consolidate Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Statement of Profit or Loss.

(o) Investments and other financial assets

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the Statement of Consolidated Profit or Loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 13.

(p) 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.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(q) Property, plant and equipment

Cost and recognition

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 profit or loss during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Building	7 to 25 years
Leasehold improvements	2 to 25 years
Plant and equipment	2 to 20 years
Office furniture and equipment	2 to 10 years
Motor vehicles	3 to 8 years
Computer equipment	1 to 5 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.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to OPUS Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

(r) Provisions

Provisions 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 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 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 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.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(r) Provisions (continued)

Make good provision

OPUS Group is required to restore the leased premises of its offices, factories and warehouses to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements.

(s) Performance and financial guarantees

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

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

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

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

(t) Employee benefits

Short-term obligations

The liabilities for wages and salaries, including annual leave and long service leave expected to be settled wholly 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.

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.

The liabilities of employee benefit obligations are presented as payables in the Consolidated Statement of Financial Position.

Obligations for contributions to defined contribution plans are recognised as an expense in Consolidated Statement of Profit or Loss as they are due.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore 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 using the projected unit credit method. Consideration is given to the 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 of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Consolidated Statement of Profit or Loss.

The obligations are presented as current liabilities in the Consolidated Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Defined contribution superannuation expense

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options 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 of the Company 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.

(v) 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.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

2. Summary of significant accounting policies (continued)

(w) Profits reserve

A profits reserve has been created representing profits of controlled entities within OPUS Group transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in future years.

(x) 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; and
- by the weighted average number of ordinary shares outstanding during the financial period, 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.

3. Significant accounting judgements, estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates may, by definition, not 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 period are discussed below.

Employee benefits provision

As discussed in Note 2 (t), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

3. Significant accounting judgements, estimates and assumptions (continued)

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the 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.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Make good provision

A provision has been made for the anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the Consolidated Statement of Financial Position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in Consolidated Statement of Profit or Loss.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

4. Earnings per share

	Consolidated	
	Year ended 31 Dec 2016 Cents	Year ended 31 Dec 2015 Cents
Basic earnings per share		
Earnings from continuing operations	5.73	9.03
Earnings from discontinued operations	9.76	3.47
Total	15.49	12.50
Diluted earnings per share		
Earnings from continuing operations	5.39	8.70
Earnings from discontinued operations	9.18	3.34
Total	14.57	12.04

	Consolidated	
	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Earnings from continuing operations used in calculating basic and diluted earnings per share	5,508	8,700
Earnings from discontinued operations used in calculating basic and diluted earnings per share	9,386	3,347
	'000s	'000s
Weighted average number of ordinary shares used as the denominator in calculating the basic profit per share	96,152	96,414
Adjustments for calculation of diluted earnings per share: Share options	6,090	3,670
Weighted average number of ordinary shares used as the denominator in calculating the diluted profit per share	102,242	100,084

Details relating to share options are set out in Note 23.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

5. 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. The OPUS Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the OPUS Group. The OPUS Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

The OPUS Group holds the following financial instruments:

31 December 2016	Financial assets AUD$'000s	Non-derivatives AUD$'000s	Total carrying amount AUD$'000s	Fair value AUD$'000s
Assets				
Trade and other receivables	14,352	-	14,352	14,352
Current assets - other	478	-	478	478
Cash and cash equivalents	17,519	-	17,519	17,519
Total financial assets	**32,349**	**-**	**32,349**	**32,349**
Liabilities				
Finance leases	-	90	90	90
Trade and other payables	-	11,991	11,991	11,991
Total financial liabilities	**-**	**12,081**	**12,081**	**12,081**

31 December 2015	Financial assets AUD$'000s	Non-derivatives AUD$'000s	Total carrying amount AUD$'000s	Fair value AUD$'000s
Assets				
Trade and other receivables	16,825	-	16,825	16,825
Current assets - other	1,775	-	1,775	1,775
Cash and cash equivalents	11,459	-	11,459	11,459
Total financial assets	**30,059**	**-**	**30,059**	**30,059**
Liabilities				
Finance leases	-	151	151	151
Trade and other payables	-	13,264	13,264	13,264
Amount due to fellow subsidiary	-	700	700	700
Total financial liabilities	**-**	**14,115**	**14,115**	**14,115**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

(5.) Financial risk management (continued)

(a) Foreign exchange risk

The OPUS Group is exposed to foreign currency risk on sales and 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$"), US Dollars ("USD$", Chinese Yuan ("CYN"), Hong Kong Dollars ("HKD$") and Pound Sterling ("GBP"). 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.

The carrying amount of OPUS Group's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2016 AUD$'000	2015 AUD$'000	2016 AUD$'000	2015 AUD$'000
New Zealand dollars	662	1,134	502	931
Singapore dollars	-	2,720	-	1,384
US dollars	1,553	4,788	1	57
Chinese Yuan	-	32	-	-
Hong Kong dollars	-	-	-	23
Pound Sterling	-	109	-	-
	2,215	8,783	503	2,395

OPUS Group had net assets denominated in foreign currencies of $1,712,000 (assets $2,215,000 less liabilities $503,000) as at 31 December 2016 (2015: net assets $6,388,000 (assets $8,783,000 less liabilities $2,395,000)).

Sensitivity Analysis

Based on this exposure above, had the Australian dollar weakened by 10%/strengthened by 5% (2015: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, OPUS Group's profit after income tax for the year and retained earnings would have been $171,000 higher/$86,000 lower (2015: $639,000 higher/$319,000 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 31 December 2016 was $83,000 (2015: gain of $59,000).

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

(5.) Financial risk management (continued)

(b) Interest rate risk

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

The OPUS Group's main interest rate risk arises from cash at bank. Cash at bank at variable rates expose the OPUS Group to interest rate risk. Finance leases issued at fixed rates expose the OPUS Group to fair value risk. As at 31 December 2016, the OPUS Group has no interest bearing liabilities issued at floating rate (2015: Nil).

Sensitivity Analysis

In managing interest rate and currency risks the OPUS Group aims to reduce the impact of short-term fluctuations on OPUS Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit or loss. At 31 December 2016 it is estimated that an increase of one percentage point (2015: increase of one percentage point) in interest rates would increase OPUS Group's profit before income tax for the year by approximately $175,000 (2015: $77,000).

(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.

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

	2016 AUD$'000s	2015 AUD$'000s
New Zealand	271	522
Australia	14,681	15,123
Singapore	-	2,028
Trade receivables (gross)	14,952	17,673
Less: Allowances for doubtful debts	(600)	(848)
Net trade receivables	14,352	16,825

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

(5.) Financial risk management (continued)

(c) Credit risk (continued)

The ageing analysis of allowance for doubtful debts is as follows:

	2016 AUD$'000s	2015 AUD$'000s
31-60 days over standard terms	-	218
61+ days over standard terms	600	630
Allowance for doubtful debts	600	848

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

	2016 AUD$'000s	2015 AUD$'000s
Neither past due, nor impaired		
Current	11,331	10,154
Past due, but not impaired		
1-30 days over standard terms	1,866	4,184
31-60 days over standard terms	579	1,866
61+ days over standard terms	576	621
Net trade receivables	14,352	16,825

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

(5.) Financial risk management (continued)

(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 reporting date:

31 Dec 2016	Statement of financial position AUD$'000s	Contractual cash flows AUD$'000s	0-1 years AUD$'000s	1-5 years AUD$'000s	More than 5 years AUD$'000s
Finance lease liabilities	90	107	22	85	-
Trade and other payables	11,991	11,991	11,991	-	-
Total financial liabilities	**12,081**	**12,098**	**12,013**	**85**	**-**
31 Dec 2015					
Finance lease liabilities	151	157	157	-	-
Amount due to fellow subsidiary	700	700	700	-	-
Trade and other payables	13,264	13,264	13,264	-	-
Total financial liabilities	**14,115**	**14,121**	**14,121**	**-**	**-**

(e) Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(f) Capital management

The OPUS Group's capital employed includes share capital, reserves and retained earnings, bank debt and borrowings and finance lease liabilities.

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

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

The OPUS Group's policies in respect of capital management and allocation are reviewed regularly by the Directors and did not change during the year.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

(5.) Financial risk management (continued)

(f) Capital management (continued)

Asset and capital structure (as at the reporting date)

	2016 AUD$'000s	2015 AUD$'000s
Total current assets	36,897	37,434
Total current liabilities	(16,390)	(20,986)
Net current assets	**20,507**	**16,448**
Cash:		
Finance lease liabilities	(90)	(151)
Cash and cash equivalents	17,519	11,459
Net cash	17,429	11,308
Total equity	**28,730**	**27,649**

The Consolidated Financial Position of OPUS Group continues its improvement after the recapitalisation transaction in late 2014. As at 31 December 2016, OPUS Group had total equity of $28,730,000 (2015: $27,649,000).

There is net working capital of $20,507,000 (2015: $16,448,000). The current ratio is 2.3 (2015: 1.8). OPUS Group has cash at year end of $17,519,000 (2015: $11,459,000). The only interest bearing liability is the finance lease liabilities of $90,000 (2015: $151,000). OPUS Group's gearing ratio, which is calculated on the basis of the total interest-bearing debts over the total equity, is 0.3% (2015: 0.5%).

6. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board 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.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

6. Segment reporting (continued)

(a) Description of segments (continued)

Publishing Services (continued)

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. Upon the disposal of Cactus Imaging Pty Ltd and Cactus Holdings Pty Ltd (the "Cactus Group") on 1 August 2016, OPUS Group ceased activities in Outdoor Media Division.

(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 Profit or Loss and Other Comprehensive Income.

The revenue by geographic location is not used by the Chief Operating Decision Maker in reviewing the performance of the CGU. The Board considered the cost to develop it would be excessive.

(c) Intersegment transactions

Sales between segments are carried out arm's length and are eliminated on consolidation.

(d) EBITDA as monitored by the Board and Senior Management

The Chief Operating Decision Maker assesses the performance of the operating segments based on a measure of EBITDA as monitored by the Board and Senior Management ("EBITDA"). This measure is consistent with the presentation of financial information internally for management accounts purpose.

A reconciliation of EBITDA to the profit before income tax per the Consolidated Statement of Profit or Loss and Other Comprehensive Income is as follows:

	Consolidated	
	31 Dec 2016 AUD$'000s	31 Dec 2015 AUD$'000s
EBITDA on ordinary activities from continuing operations	10,093	9,059
Depreciation and amortisation expenses	(1,847)	(2,692)
Net finance income/(cost)	116	(120)
Profit before income tax from continuing operations	**8,362**	**6,247**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

6. Segment reporting (continued)

(e) Segment information

	Consolidated	
	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Publishing Services	86,977	80,745
Outdoor Media	-	6,455
Other	(12)	-
Total revenue from continuing operations	86,965	87,200

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

6. Segment reporting (continued)

(e) Segment information (continued)

Year ended 31 Dec 2016	Publishing Services AUD$'000s	Outdoor Media AUD$'000s	Others* AUD$'000s	Gains on disposal of subsidiaries+ AUD$'000s	Inter-segment eliminations AUD$'000s	Total AUD$'000s
Continuing Operations						
Total external revenue	86,977	-	(12)	-	-	86,965
Other income	800	-	215	-	-	1,015
Operating expenses	(75,361)	-	(2,526)	-	-	(77,887)
EBITDA from Continuing Operations	12,416	-	(2,323)	-	-	10,093
Depreciation and amortisation expenses	(1,816)	-	(31)	-	-	(1,847)
Net finance income/(cost)	(37)	-	153	-	-	116
Profit before income tax from Continuing Operations	10,563	-	(2,201)	-	-	8,362
Discontinued Operations						
Total external revenue	5,297	6,770	-	-	-	12,067
Other Income	226	26	-	-	-	8,645
Operating expenses	(5,000)	(5,441)	-	8,393	-	(10,441)
EBITDA from Discontinued Operations	523	1,355	-	8,393	-	10,271
Depreciation and amortisation expenses	(99)	(286)	-	-	-	(385)
Net finance income/(cost)	(157)	(31)	-	-	-	(188)
Profit before income tax from Discontinued Operations	267	1,038	-	8,393	-	9,698
Total consolidated segment result	10,830	1,038	(2,201)	8,393	-	18,060

Year ended 31 Dec 2015	Publishing Services AUD$'000s	Outdoor Media AUD$'000s	Others* AUD$'000s	Gains on disposal of subsidiaries+ AUD$'000s	Inter-segment eliminations AUD$'000s	Total AUD$'000s
Continuing Operations						
Total external r evenue	80,745	6,455	-	-	-	87,200
Other income	1,468	(102)	(16)	1,706	-	3,056
Operating expenses	(71,232)	(6,182)	(3,783)	-	-	(81,197)
EBITDA from Continuing Operations	10,981	171	(3,799)	1,706	-	9,059
Depreciation and amortisation expenses	(2,484)	(94)	(114)	-	-	(2,692)
Net finance income/(cost)	(85)	(13)	(71)	-	49	(120)
Profit before income tax from Continuing Operations	8,412	64	(3,984)	1,706	49	6,247
Discontinued Operations						
Total external revenue	14,218	14,047	-	-	-	28,265
Inter-segment sales	-	306	-	-	(306)	-
Other income	643	18	-	-	-	661
Operating expenses	(12,653)	(11,941)	-	-	306	(24,288)
EBITDA from Discontinued Operations	2,208	2,430	-	-	-	4,638
Depreciation and amortisation expenses	(491)	(502)	-	-	-	(993)
Net finance income/(cost)	26	(69)	-	-	(49)	(92)
Profit before income tax from Discontinued Operations	1,743	1,859	-	-	(49)	3,553
Total consolidated segment result	10,155	1,923	(3,984)	1,706	-	9,800

** Included in "Others" are the Group's activities in finance income and costs, staff costs and other corporate activities incurred under central corporate and treasury function which are not able to be allocated to neither Publishing Services nor Outdoor Media segment.*

+ Gains on disposal of subsidiaries during the year represented $3,589,000 and $4,804,000 from disposal of C.O.S. and Cactus Group (Note 11). (2015: $1,706,000 gain on disposal of outdoor media business in New Zealand.)

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

6. Segment reporting (continued)

(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. The Chief Operating Decision Maker does not receive information about the geographical locations of the segment assets and liabilities.

7. Other income

	Consolidated	
	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Consideration of disposal of outdoor media business in New Zealand	-	1,954
Carrying amount of net asset disposed	-	(248)
Gain on disposal of outdoor media business in New Zealand	-	1,706
Scrap recoveries	504	351
(Loss)/gain on disposal of assets	(60)	535
Discounts received	154	-
Insurance refund	157	146
Reversal of impairment of investment in associate	-	42
Other	260	276
Total other income	1,015	3,056

8. Employee benefits expense

	Consolidated	
	Year ended 31 Dec 2015 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Salaries, wages and other staff costs	24,469	27,235
Superannuation	2,006	2,004
Total employee benefits expense per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	26,475	29,239

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 $2,006,000 (2015: $2,004,000).

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

9. Expenses

	Consolidated	
	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Bad debts expense	58	-
Provision for obsolete stock	288	441
Provision for/(reversal of) impairment of trade receivables	(57)	444
Realised foreign exchange gains/(losses)	20	(71)
Minimum lease payments related to operating leases	2,562	2,413
Management fee	-	500

10. Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	Consolidated	
	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Current tax expense	2,262	120
Deferred tax expense/(benefit)	291	(2,573)
Under provision in prior years	301	-
Total income tax expense/(benefit)	**2,854**	**(2,453)**
Deferred income tax included in income tax expense/(benefit) comprises:		
Increase in deferred tax assets – Note 18	76	(2,669)
Increase in deferred tax liabilities – Note 18	215	96
	291	(2,573)

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

10. Income tax expense/(benefit) (continued)

(b) Reconciliation of current income tax expense/(benefit)

	Consolidated	
	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Profit before income tax	8,362	6,247
Income tax using the OPUS Group's domestic rate of tax (30%)	2,508	1,874
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of net profit in associate	-	(13)
Tax effect of non-assessable income	-	(565)
Tax effect of non-deductible expenses	15	-
Recognition of previously unrecognised tax losses	-	(1,125)
Recognition of previously unrecognised temporary differences	-	(2,473)
Tax rate difference in overseas entities	(73)	(144)
Current year tax losses not recognised	59	148
Current year temporary differences not recognised	(48)	(69)
Under provision in prior years	301	-
Other	92	(86)
Total income tax expense/(benefit)	2,854	(2,453)

(c) Tax losses

	Consolidated	
	31 Dec 2016 AUD$'000s	31 Dec 2015 AUD$'000s
Unused tax losses for which no deferred tax asset has been recognised	948	728
Potential tax benefit @ 28% *	265	204
Potential tax benefit at jurisdiction tax rates	265	204

** New Zealand jurisdiction tax rate*

Tax losses related to New Zealand the current year and the prior year is not likely to be recovered in the foreseeable future and hence have not been recognised.

Australian tax losses raised from the prior years have been offset against 2015 taxable income as allowed under tax legislation. In the current year, the Group has capital losses, for which no deferred tax asset is recognised on the Consolidated Statement of Financial Position, of $7,504,000 (2015: Nil). These are available indefinitely for offset against future capital gains, subject to relevant tax tests.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

10. Income tax expense/(benefit) (continued)

(d) Franking credits

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Franking credits available for subsequent financial years based on a tax rate of 30%	21,805	23,761

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. Discontinued Operations

(a) Disposal of C.O.S.

On 29 March 2016, the Group entered into a conditional sale and purchase agreement to dispose of its 100% interest in C.O.S., a wholly owned subsidiary of the Group. The proceeds of the disposal of $11,300,000 were received in cash. This transaction was completed on 10 May 2016. The profit for the year ended from the discontinued operation is analysed as follows:

	At date of disposal AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Revenue	5,297	14,218
Operating expenses	(5,030)	(12,524)
Profit before income tax	267	1,694
Gain on disposal of C.O.S.	3,589	-
Profit before income tax	**3,856**	**1,694**
Income tax expense	(50)	(217)
Profit after income tax	**3,806**	**1,477**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

11. Discontinued Operations (continued)

(a) Disposal of C.O.S. (continued)

The net cash inflows/(outflows) of C.O.S. are as follows:

	At date of disposal AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Operating	(202)	1,355
Investing	(81)	2,546
Financing	-	(2,536)
Net cash inflows/(outflows) for the period	**(283)**	**1,365**

The net assets and the net cash inflows of C.O.S. at the date of disposal are as follows:

	At date of disposal AUD$'000s
Total consideration received	11,300
Carrying value of net assets of C.O.S. sold	(6,895)
Gain on disposal before de-recognition of foreign currency translation reserve	4,405
De-recognition of foreign currency translation reserve	(816)
Gain on disposal of C.O.S.	3,589
Total consideration received in cash	11,300
Cash and cash equivalents held at C.O.S.	(2,521)
Net cash inflows on disposal of C.O.S.	**8,779**

(b) Disposal of Cactus Group

On 27 July 2016, the Group entered into another conditional sale and purchase agreement to dispose the shares of Cactus Group. The proceeds of the disposal of $5,839,000 were received in cash. This transaction was completed on 1 August 2016. The profit for the year ended from the discontinued operation is analysed as follows:

	At date of disposal AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Revenue	6,770	14,047
Operating expenses	(5,732)	(12,188)
Profit before income tax	1,038	1,859
Gain on disposal of Cactus Group	4,804	-
Profit before income tax expense/(benefit)	**5,842**	**1,859**
Income tax expense/(benefit)	(262)	11
Profit after income tax	**5,580**	**1,870**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

11. Discontinued Operations (continued)

(b) Disposal of Cactus Group (continued)

The net cash inflows/(outflows) of Cactus Group are as follows:

	At date of disposal AUD$'000sw	Year ended 31 Dec 2015 AUD$'000s
Operating	2,921	2,229
Investing	(498)	(17)
Financing	(2,510)	(2,535)
Net cash outflows for the period	**(87)**	**(323)**

The net assets of Cactus Group and the net cash inflows at the date of disposal were as follows:

	At date of disposal AUD$'000s
Net assets of Cactus Group at the date of disposal	1,035
Gain on disposal	4,804
Total consideration received in cash	5,839
Cash and cash equivalents held at Cactus Group	-
Net cash inflows on disposal of Cactus Group	**5,839**

(c) Carrying value of net assets and liabilities by categories at date of disposals for both C.O.S. and Cactus Group were:

	At date of disposals AUD$'000s
Property, plant and equipment	2,018
Cash and cash equivalents	2,521
Inventories	1,783
Trade and other receivables	2,812
Deferred tax assets	351
Other non-current assets	878
Total assets	**10,363**
Trade and other payables	1,039
Finance lease liabilities	34
Deferred tax liabilities	101
Provision for income tax	343
Employee benefits	916
Total liabilities	**2,433**
Carrying value of net assets	**7,930**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

12. Current assets – cash and cash equivalents

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Cash on hand and at bank	17,519	11,459

	Year ended 31 Dec 2016 AUD$	Year ended 31 Dec 2015 AUD$
Reconciliation of net cash provided by operating activities to operating profit after income tax:		
Operating profit after income tax	14,894	12,047
Unrealised foreign exchange loss/(gain)	92	(18)
Depreciation and impairment of property, plant and equipment	2,233	3,685
Reversal of impairment of investment in associate	-	(42)
Provision for /(reversal of) for impairment of trade and other receivables	(199)	614
Provision for impairment of inventories	332	448
Gain/(loss) on disposal of assets	64	(633)
Gains on disposal of subsidiaries	(8,393)	(1,706)
Overprovision of deferred consideration for Blue Star acquisition	-	(158)
Operating profit before working capital changes	9,023	14,237
Decrease/(increase) in trade and other receivables	2,088	(2,986)
Decrease/(increase) in inventories	555	(1,593)
Decrease in trade and other payables	(532)	(779)
Increase/(decrease) in employee entitlements	(420)	600
Increase/(decrease) in amount due to fellow subsidiary	1,114)	696
Increase in provisions	202	915
Decrease in tax payable	(716)	(551)
Increase/(decrease) in deferred tax balances	334	(3,009)
Net cash inflows from operating activities	9,420	7,530

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

13. Current assets – trade and other receivables

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Trade receivables	14,952	17,673
Less: Allowance for doubtful debts	(600)	(848)
Total trade and other receivables	14,352	16,825

Movements in the provision for impairment of trade and other receivables are as follows:

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Opening balance	848	234
Provision recognised/(reversed) during the year	(168)	614
Disposal of subsidiaries	(49)	-
Written off during the year	(31)	-
Closing balance	600	848

14. Current assets – inventories

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Raw materials	3,974	5,156
Work in progress	352	1,369
Finished goods	369	633
Less: Provision for inventory obsolescence	(930)	(728)
Total inventories	3,765	6,430

Movements in the provision for impairment of inventories are as follows:

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Opening balance	728	808
Provisions recognised during the year	369	448
Written off during the year	(37)	(528)
Disposal of subsidiaries	(130)	-
Closing balance	930	728

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

15. Current assets – other

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Sundry debtors	110	173
Prepayments	783	945
Deposits	368	1,602
Total other current assets	1,261	2,720

16. Particulars in relation to controlled entities

	Country of Incorporation
OPUS Group Limited	Australia
Wholly owned subsidiaries up to the date of this report:	
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
McPherson's Printing Pty Limited *	Australia
OPUS Group NZ Holdings Limited	New Zealand
Cactus Imaging Holdings Limited	New Zealand
Wholly owned subsidiaries either disposed or deregistered up to the date of this report:	
C.O.S. Printers Pte Limited^	Singapore
Cactus Imaging Holdings Pty Limited *#	Australia
Cactus Imaging Pty Limited*#	Australia
Ligare Limited+	New Zealand
Cactus Imaging Limited@	New Zealand

* These subsidiaries have been granted relief from the necessity to prepare Financial Reports and Directors' Reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to Note 30.
^ Disposed on 10 May 2016.
\# Disposed on 1 August 2016.
\+ Disposed on 1 January 2017.
@ Deregistered on 14 February 2017.

All investments represent 100% ownership interest at reporting date (2015:100%).

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

17. Non-current assets – property, plant and equipment

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Freehold land and buildings		
At cost	2,632	2,633
Accumulated depreciation and impairment	(1,134)	(959)
Total Freehold land and buildings	1,498	1,674
Leasehold improvements		
At cost	1,516	1,571
Accumulated depreciation and impairment	(1,465)	(1,398)
Total leasehold improvements	51	173
Total property assets	1,549	1,847
Plant and equipment		
At cost	47,887	67,214
Accumulated depreciation and impairment	(42,531)	(61,466)
Total plant and equipment	5,356	5,748
Office furniture and equipment		
At cost	455	1,072
Accumulated depreciation and impairment	(378)	(818)
Total office furniture and equipment	77	254
Motor vehicles		
At cost	314	695
Accumulated depreciation and impairment	(304)	(546)
Total motor vehicles	10	149
Computer equipment		
At cost	3,083	4,824
Accumulated depreciation and impairment	(3,012)	(4,639)
Total computer equipment	71	185
Total property, plant and equipment	7,063	8,183

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

17. Non-current assets – property, plant and equipment (continued)

(a) Reconciliations

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

	Land and buildings AUD$'000s	Plant and equipment AUD$'000s	Office furniture and equipment AUD$'000s	Motor Vehicles AUD$'000s	Leasehold improvements AUD$'000s	Computer equipment AUD$'000s	Total AUD$'000s
Carrying amount							
Opening balance 1 Jan 2016	1,674	5,748	254	149	173	185	8,183
Other additions	-	3,023	141	-	62	91	3,317
Disposals	-	(117)	-	-	-	(60)	(177)
Disposal of subsidiaries	-	(1,516)	(276)	(114)	(73)	(37)	(2016)
Effect of movements in exchange rates	-	(4)	(5)	(2)	-	-	(11)
Depreciation for the year	(176)	(1,778)	(37)	(23)	(111)	(108)	(2,233)
Closing balance 31 Dec 2016	**1,498**	**5,356**	**77**	**10**	**51**	**71**	**7,063**
Carrying amount							
Opening balance 1 Jan 2015	1,976	8,392	102	124	333	367	11,294
Other additions	-	538	186	66	44	43	877
Disposals	-	(307)	(1)	-	(4)	(17)	(329)
Effect of movements in exchange rates	-	13	2	7	-	4	26
Depreciation for the year	(302)	(2,888)	(35)	(48)	(200)	(212)	(3,685)
Closing balance 31 Dec 2015	1,674	5,748	254	149	173	185	8,183

18. Non-current – deferred tax balances

Deferred tax assets

	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
Deferred tax assets are attributable to the following:		
Property, plant and equipment	316	244
Employee benefits	1,240	1,636
Make good provision	335	275
Provision for inventory obsolescence	278	213
Others	463	697
Deferred tax assets	2,632	3,065

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

18. Non-current – deferred tax balances (continued)

Deferred tax assets (continued)

Movements

	Plant and equipment AUD$'000s	Employee benefits AUD$'000s	Make good provision AUD$'000s	Tax losses AUD$'000s	Provision for inventory obsolescence AUD$'000s	Others AUD$'000s	Total AUD$'000s
Opening balance 1 January 2016	244	1,636	275	-	213	697	3,065
Charged to profit or loss for discontinued operations	-	-	-	-	-	(6)	(6)
Charged to profit or loss for continuing operations – Note 10(a)	72	(126)	60		103	(185)	(76)
De-recognised through disposals of subsidiaries	-	(270)	-	-	(38)	(43)	(351)
Closing balance 31 December 2016	**316**	**1,240**	**335**	**-**	**278**	**463**	**2,632**

	Plant and equipment AUD$'000s	Employee benefits AUD$'000s	Make good provision AUD$'000s	Tax losses AUD$'000s	Provision for inventory obsolescence AUD$'000s	Others AUD$'000s	Total AUD$'000s
Opening balance 1 January 2015	-	-	-	-	-	-	-
Recognition of tax effect of previously unrecognised temporary differences	744	1,462	-	-	237	498	2,941
Previously unrecognised tax losses now recouped to reduce current tax expense	-	-		1,346	-	-	1,346
Charged to profit or loss	(500)	174	275	(1,346)	(24)	199	(1,222)
Closing balance 31 December 2015	**244**	**1,636**	**275**	**-**	**213**	**697**	**3,065**

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised on the Consolidated Statement of Financial Position. 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 the recognised deferred tax assets. Estimates of future taxable earnings in future periods, are based on forecasted taxable income. At 31 December 2016, the Group had not recognised a deferred tax asset of $450,000 (31 December 2015: $393,000), which includes accumulated tax losses of $266,000 (31 December 2015: $204,000) and temporary differences of $194,000 (31 December 2015: $189,000) in the New Zealand business (31 December 2015: New Zealand businesses) as they are not likely to be recovered in the foreseeable future.

Deferred tax liabilities

	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
Deferred tax liabilities are attributable to the following:		
Property, plant and equipment	253	71
Inventories	-	81
Other	48	1
Total deferred tax liabilities	**301**	**153**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

18. Non-current – deferred tax balances (continued)

Deferred tax liabilities (continued)

Movements

	Plant and equipment AUD$'000s	Inventories AUD$'000s	Others AUD$'000s	Total AUD$'000s
Opening balance 1 January 2016	71	81	1	153
Charged to profit or loss for continuing operations – Note 10(a)	250	(81)	46	215
Charged to profit or loss for discontinued operations	37	-	-	37
Derecognised through disposals of subsidiaries	(105)	-	1	(104)
Closing balance 31 December 2016	253	-	48	301
	Plant and equipment AUD$'000s	**Inventories AUD$'000s**	**Others AUD$'000s**	**Total AUD$'000s**
Opening balance 1 January 2015	104	-	(4)	100
Over provision in prior years	(39)	-	-	(39)
Recognition of tax effect of previously unrecognised temporary differences	-	95	25	120
Charged to profit or loss	8	(14)	(19)	(25)
Effect of movements in exchange rates	(2)	-	(1)	(3)
Closing balance 31 December 2015	71	81	1	153

19. Current liabilities – trade and other payables

	Consolidated 2016 AUD$'000s	2015 AUD$'000s
Trade creditors	6,432	7,867
Other creditors	1,053	1,124
Sundry provisions and accruals	4,449	4,217
Receipt in advance	-	249
Amortisation of rent free period	-	231
Provision for PAYE/PAYG	57	56
GST payable	329	144
Total trade and other payables	12,320	13,888

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

20. Interest bearing liabilities

	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
Non-current liabilities		
Finance leases	73	-
Total non-current interest bearing liabilities	73	-
Current liabilities		
Finance leases	17	151
Total current interest bearing liabilities	17	151
Total interest bearing liabilities	**90**	**151**

Unused facilities

	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
Fixed rate - expiring within one year (working capital facilities)	-	7,000
Floating rate - expiring within one year (guarantee facilities, corporate cards etc.)	1,220	272
	1,220	**7,272**

21. Employee benefits

	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
Employee benefits liability for annual leave and time in lieu	1,855	2,571
Employee benefits liability for long service leave – current	2,090	2,505
Total current employee benefits	**3,945**	**5,076**
Employee benefits liability for long service leave – non-current	243	448
Total non-current employee benefits	**243**	**448**
Total employee benefits	**4,188**	**5,524**

Employee benefits liability

Long service leave 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. Current and non-current classification is stated in Note 2(t). 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 31 December 2016 management estimate that approximately $1,183,000 (2015: $1,922,000) of the above current employee entitlement provision will not be taken within 12 months.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

22. Provisions

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Make good provision	1,117	915
Total provisions	**1,117**	**915**

Movements in the provision are as follows:

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Opening balance	915	-
Provisions recognised during the year	202	915
Closing balance	**1,117**	**915**

23. Share capital

	Consolidated		Consolidated	
	2016 Shares	2015 Shares	2016 AUD$'000s	2015 AUD$'000s
Ordinary shares				
Fully paid	96,413,596	96,413,596	70,594	70,594
Capital reduction	-	-	(62,495)	-
Share buy-back	(4,155,934)	-	(1,996)	-
Less: transaction costs airsing on share buy-back	-	-	(67)	-
Fully paid	**92,257,662**	**96,413,596**	**6,036**	**70,594**

Issued capital as at 31 December 2016 amounted to $6,036,000 (92,257,662 ordinary shares) (31 December 2015: $70,594,000 (96,413,596 ordinary shares)). On 29 April 2016, the board of directors resolved to reduce the share capital amount of the Company by $62,495,000 in accordance with section 258F of Corporation Act 2001. The capital reduction had the effect of reducing the share capital account and "Accumulated Losses" in the financial statements and did not impact the net assets, financial results, cash flow, funding of the consolidated group or the number of shares issued. As at 1 January 2016, the Company has accumulated losses of approximately $62,495,000 and its net assets were less than its share capital. The deficiency in net assets arose primarily as a result of the impairment of goodwill and plant and equipment and high finance costs in previous financial years.

An extraordinary general meeting was held on 8 December 2016 to approve the on-market share buy-back at 48 cents per share, which was commenced on 9 December 2016 and remains open until the earlier of 8 December 2017 or when 20 million shares have been bought back. As of 31 December 2016, OPUS bought back and fully cancelled 4,155,934 shares.

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

As at the reporting date, 1010 Group holds 20 million options to subscribe for 20 million shares of the Company at a total exercise price of $7,000,000 ($0.35 each), exercisable at any time up to and including 30 September 2017. The capital reduction mentioned above has no impact on options issued.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

23. Share capital (continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/fortified/ other	Balance at the end of the year
3/11/2014	30/09/2017	$0.35	20,000,000	-	-	-	20,000,000

For the options granted in November 2014, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dicidend yield	Risk-free interest rate	Fair value at grant date
3/11/2014	30/09/2017	$0.38	$0.35	119.86%	0%-	2.65%-	$0.2405

The fair value of the option grant was charged as part of the overall debt forgiveness benefit.

24. Reserves and accumulated losses

	Consolidated 2016 AUD$'000s	Consolidated 2015 AUD$'000s
(a) Reserves		
Foreign currency translation reserve	4,781	3,998
Share option reserve	4,810	4,810
	9,591	8,808
Foreign currency translation reserve		
Opening balance	3,998	3,699
De-recognition of disposal of discontinued operation	816	-
Exchange differences on the translation of foreign operations	(33)	299
Closing balance	4,781	3,998
Share option reserve		
Opening and closing balance	4,810	4,810
(b) Profits reserve		
Opening balance	11,083	-
Profit after income tax	14,894	12,047
Dividend paid	(12,533)	(964)
Transfer to accumulated losses	(341)	-
Closing balance	13,103	11,083
(c) Accumulated losses		
Opening balance	(62,836)	(62,836)
Capital reduction	62,495	-
Transfer from profits reserve	341	-
Closing balance	-	(62,836)

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

24. Reserves and accumulated losses (continued)

(d) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation 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 have been designated as a net investment in the subsidiary.

(ii) Share option reserve

The share option reserve comprises the fair value of the share option on issue. On 24 October 2014, the OPUS Group granted 20 million options to 1010 Group to subscribe for 20 million shares of OPUS Group at a total exercise price of $7,000,000 ($0.35 each), exercisable at any time up to and including 30 September 2017 (refer to Note 23).

(iii) Profits reserve

The profits reserve represents profits of controlled entities within OPUS Group transferred to a separate reserve to preserve their profit character. Such profits are available to enable payment of franked dividends in future years. Dividends amounting to $12,533,000 (2015: $964,000) were distributed from the profits reserve during the year.

(e) Dividends

Dividends paid during the financial year were as follows:

	2016 AUD$'000s	2015 AUD$'000s
Interim and special dividend for the year ended 31 December 2016 of 11 cents (2015: 1 cent) per ordinary share	10,605	964
Final dividend for the year ended 31 December 2015 of 2 cents per ordinary share	1,928	-
	12,533	964

On 28 February 2017 the directors declared a final dividend for the year ended 31 December 2016 of 1 cent per ordinary share to be paid on 9 June 2017, a total estimated distribution of $922,577 based on the number of ordinary shares on issue as at 28 February 2017. As the dividend was fully franked, there are no income tax consequences for the owners of OPUS Group relating to this dividend.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

25. Contractual commitments for expenditure

(a) Capital commitments

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Aggregate capital expenditure contracted for at reporting date, but not provided for in the accounts due:		
Plant and equipment	168	817
Total capital commitments	168	817

(b) Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Not later than one year	2,667	3,207
Later than one year but not later than five years	6,529	8,900
More than five years	234	2,309
Total lease commitments	9,430	14,416

Certain of the properties are leased from related parties under non-cancellable operating leases. Refer to Note 28 for details of these related party leases.

(c) Finance lease commitments

	Consolidated	
	2016 AUD$'000s	2015 AUD$'000s
Commitments in relation to finance lease payments are payable as follows:		
Not later than one year	22	157
Later than one year but not later than five years	85	-
	107	157
Future finance charges	(17)	(6)
Recognised as a liability	90	151
Representing finance lease		
Current - Note 20	17	151
Non-current - Note 20	73	-
Total finance leases	90	151

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

25. Contractual commitments for expenditure (continued)

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

26. Contingent liabilities

The obligations of the OPUS Group under an operating lease agreement and commercial agreements amounts to $550,000 in total, and is secured by a bank guarantee (2015: $701,000).

27. Related parties

(a) Ultimate holding company

At 31 December 2016, 1010 Printing Group Limited holds 64.66% of OPUS Group and is effectively the ultimate holding company of OPUS Group.

(b) Transactions with other related parties

Below are OPUS Group transactions with related parties

Entity	Relationship with OPUS Group	Nature of transactions	Year ended 31 Dec 2016 AUD		As at 31 Dec 2016 AUD
1010 Printing International Limited	Fellow subsidiary	Outwork Sales Purchases Interest	611,574 2,535,696 8,484 9,501	Payable	-
C.O.S. Printers Pte Limited	Fellow subsidiary (since 10 May 2016)	Outwork	63,764	Payable	-
Mr Celarc	Director & shareholder	Rent and outgoing Consulting fees	675,173 347,000	Payable	-
			Year ended 31 Dec 2015 AUD		**As at 31 Dec 2015 AUD**
1010 Printing International Limited	Fellow subsidiary	Outwork Sales Purchases Management fee	605,169 2,923,471 269,056 695,255	Payable	699,624
Mr Celarc	Director & shareholder	Rent and outgoing Consulting fees	654,540 300,000	Payable	-

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

27. Contingent liabilities (continued)

(c) Key management personnel compensation

	Consolidated	
	Year ended 31 Dec 2016 AUD	Year ended 31 Dec 2015 AUD
Short-term employee benefits	616,189	762,291
Post-employment benefits	19,140	43,493
Long-term benefits	(79,378)	19,403
Total key management personnel compensation	555,951	825,187

Details of above remuneration disclosures are provided in the Remuneration Report on pages 14 to 19.

(d) Working capital facility

In September 2014, 1010 Group granted a working capital facility of $7,000,000 at an interest rate of 6% p.a. for two years. This facility expired during the year without renewal.

(e) Disposal of subsidiaries

In May 2016, OPUS Group disposed C.O.S., a wholly owned subsidiary of OPUS Group incorporated in Singapore, with a consideration of $11,300,000 to 1010 Printing Group Limited.

In January 2017, Mr Celarc (Director) acquired Ligare Limited, a wholly owned subsidiary of OPUS Group incorporated in New Zealand, with a consideration of NZD$1. The disposal is not expected to create a material loss to the Group.

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

28. Parent entity financial information

(a) Summary financial information

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

	2016 AUD$'0 00s	2015 AUD$'000s
Statement of Financial Position		
Current assets	12,074	3,383
Non-current assets	27,340	40,820
Total assets	39,414	44,203
Current liabilities	13,183	2,002
Non-current liabilities	6	15,814
Total liabilities	13,189	17,816
Shareholders' equity		
Issued capital	20,370	84,928
Share option reserve	4,810	4,810
Profits reserve	13,103	11,083
Accumulated losses	(12,058)	(74,434)
Total shareholders' equity	**26,225**	**26,387**

	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Profit after income tax for the year	14,434	43,429
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	**14,434**	**43,429**
Summary of movements in accumulated losses		
Accumulated losses at the beginning of the financial year	(74,434)	(105,816)
Capital reduction	62,495	-
Profit after income tax for the year	14,434	43,429
Transferred to profits reserve	(14,553)	(12,047)
Accumulated losses at the end of the financial year	**(12,058)**	**(74,434)**
Summary of movements in profits reserve		
Profits reserve at the beginning of the financial year	11,083	-
Transferred from accumulated losses	14,553	12,047
Dividend paid	(12,533)	(964)
Profits reserve at the end of the financial year	**13,103**	**11,083**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

28. Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

At 31 December 2016, there are cross guarantees given by the parent entity as described in Note 30.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2016 (2015: Nil).

(d) Impairment

OPUS Group Limited recognised a cumulative impairment of non-current assets of $58,124,000 as at 31 December 2016 (2015: $89,955,000), comprising impairments in subsidiary investments of $29,114,000 (2015: $29,114,000) and impairment of intercompany receivables of $29,010,000 (2015: $60,841,000).

29. Auditors' remuneration

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

	Consolidation	
	Year ended 31 Dec 2016 AUD$	Year ended 31 Dec 2015 AUD$
Audit services		
BDO East Coast Partnership - Audit and review of financial reports of OPUS Group	172,156	173,550
Other BDO network firms - Audit and review of financial reports and other audit work for OPUS Group's New Zealand and Singapore businesses	32,979	69,258
Total BDO remuneration for audit services	205,135	242,808
Tax services		
BDO East Coast Partnership	23,250	45,315
Other BDO network firms - Tax services for OPUS Group's Singapore business	148	14,644
Total BDO remuneration for tax services	23,398	59,959

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

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

30. 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.

Entities	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	134 477 357
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

* Existed the Closed Group on 1 August 2016 up on disposal.

By entering into the deed, the whollyowned entities have been relieved from the requirement to prepare a Financial Report and Directors' 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 the OPUS Group, they also represent the "Extended Closed Group".

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

30. Deed of cross guarantee (continued)

(a) Consolidated Statement of Profit or Loss and Other Comprehensive Income and summary of movements in consolidated accumulated losses and profits reserve

Set out below is a Consolidated Statement of Profit or Loss and Comprehensive Income and summary of movements in consolidated accumulated losses and profits reserve for the year ended 31 December 2016 of the Closed Group:

	Year ended 31 Dec 2016 AUD$'000s	Year ended 31 Dec 2015 AUD$'000s
Continuing Operations		
Revenue	87,483	80,032
Other income	980	1,448
Changes in inventories of finished goods, materials and work in progress	(27,670)	(24,045)
Other production costs and freight	(19,298)	(16,153)
Employee benefits expense	(26,215)	(27,179)
Occupancy costs	(1,987)	(2,056)
Depreciation and amortisation expense	(1,816)	(2,550)
Reversal of impairment of intercompany receivable	11,376	1,910
Other expenses	(3,214)	(6,123)
Operating profit before finance income/(costs) from continuing operations	19,639	5,284
Finance income	199	73
Finance cost	(60)	(249)
Net finance income/(cost)	139	(176)
Profit before income tax from continuing operations	19,778	5,108
Income tax benefit/(expense)	(2,853)	2,453
Profit after income tax from continuing operations	16,925	7,561
Dis(continued) Operation		
Profit after income tax from discontinued operation	5,581	1,869
Profit for the year	22,506	9,430
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	22,506	9,430
Summary of movements in retained earnings/(accumulated losses)		
Accumulated losses at the beginning of the financial year	(62,494)	(62,494)
Profit after income tax	7,612	-
Capital reduction	62,495	-
Transfer from profits reserve	341	-
Retained earnings/(accumulated losses) at the end of the financial year	7,954	(62,494)
Summary of movements in profits reserve		
Profits reserve at the beginning of the financial year	8,466	-
Profit after income tax	14,894	9,430
Dividend paid	(12,533)	(964)
Transfer to accumulated losses	(341)	-
Profits reserve at the end of the financial year	10,486	8,466

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

30. Deed of cross guarantee (continued)

(b) Consolidated Statement of Financial Position

Set out below is a Consolidated Statement of Financial Position as at 31 December 2016 of the Close Group:

	2016 AUD$'000s	2015 AUD$'000s
Current assets		
Cash and cash equivalents	17,104	7,865
Trade and other receivables	14,105	14,416
Inventories	3,734	5,163
Other current assets	1,259	1,336
Total current assets	**36,202**	**28,780**
Non-current assets		
Other non-current assets	262	530
Property, plant and equipment	7,032	7,367
Deferred tax assets	2,632	3,065
Total noncurrent assets	**9,926**	**10,962**
Total assets	**46,128**	**39,742**
Current liabilities		
Trade and other payables	11,809	11,312
Amount due to fellow subsidiary	-	500
Provision for income tax	40	636
Interest bearing liabilities	17	110
Employee benefits	3,889	5,006
Total current liabilities	**15,755**	**17,564**
Non-current liabilities		
Deferred tax liabilities	301	86
Interest bearing liabilities	73	-
Employee benefits	243	448
Provisions	1,117	915
Total non-current liabilities	**1,734**	**1,449**
Total liabilities	**17,489**	**19,013**
Net assets	**28,639**	**20,729**
Equity		
Share capital	6,036	70,594
Reserves	4,163	4,163
Profits reserve	10,486	8,466
Retained earnings/(accumulated losses)	7,954	(62,494)
Total equity	**28,639**	**20,729**

Annual Financial Report (Continued)

Notes to the Consolidated Financial Statements for the year ended 31 December 2016 (Continued)

30. Deed of cross guarantee (continued)

(c) Impairment

The Closed Group recognised the following cumulative impairment of assets as at 31 December 2016:

	2016 AUD$'000s	2015 AUD$'000s
Impairment of goodwill	36,597	36,597
Impairment of investment subsidiary	5,376	5,376
Impairment of intercompany receivable	8,402	19,772

31. Subsequent event

From the end of the reporting period to the date of this report, there was no matter or circumstance that arose which has significantly affected, or may significantly affect OPUS Group's operations, the results of these operations, or OPUS Group's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion

(a) the consolidated financial statements and Notes set out on pages 28 to 81 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 OPUS Group's financial position as at 31 December 2016 and of its performance for the year ended on that date, and

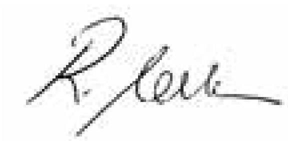
(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended Closed Group identified in Note 30 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 30.

Note 2(a) confirms that the consolidated 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.



Richard Celarc
Chairman
28 February 2017, Sydney

Auditor's Report

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Opus Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Opus Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Auditor's Report (Continued)

Disposal of subsidiaries

During the financial year, the following subsidiary entities, namely C.O.S. Printers Pte Ltd ("COS") and Cactus Imaging Pty Ltd & Cactus Imaging Holdings Ltd (the "Cactus Group") were disposed of which resulted in a total gain on disposal of $8,393,000 (refer to Note 11 of the Financial Statements). The disposal of Cactus Group represents the ceasing of Opus Group Limited's operations in the Outdoor Media segment and the disposal of C.O.S. represents the ceasing of Opus Group Limited's Publishing Services operations in Singapore. The decision taken by management to dispose of these two entities during the year will impact future shareholder returns and represent significant transactions outside the normal course of business. As a result, the material nature of the gain on disposal and the allocation between continued and discontinued operations was a key focus of our audit.

To determine whether the disposal transactions were appropriately accounted for and disclosed we undertook, amongst others, the following audit procedures:

- Reviewed the underlying business sales agreement and verified the accuracy of sales consideration received or receivable;
- Performed cut-off procedures to assess the completeness and accuracy of the assets and liabilities de-recognised at date of disposal of the business;
- Re-performed the calculation of the gain on disposal by comparing the consideration received to the carrying value of the identified assets and liabilities;
- Assessed the tax impact of the proposed sales for any potential capital gains tax on disposal; and
- Examined the adequacy and accuracy of the disclosure of the transactions within the financial report including the reported gain on disposal and the split between continued and discontinued operations.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Report (Continued)

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Opus Group Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin

Partner

Sydney, 28 February 2017

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 23 February 2017, OPUS Group had 652 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 23 February 2017)

Number of Shares	Fully Paid Ordinary Shares	Number of Holders
1-1,000	27,112	219
1,001-5,000	366,785	138
5,001-10,000	596,513	83
10,001-100,000	6,421,612	167
100,001-over	84,845,640	45
	92,257,662	**652**

The number of shareholders holding less than a marketable parcel is 215.

Substantial Shareholders

The following shareholders are recorded as substantial shareholders:

Holder	Number of Shares	Last Notified	% of Issued Capital
1010 Printing Group Ltd	59,657,143	12 December 2016	64.66%
Richard Francis Celarc & his associates	12,334,647	8 February 2016	13.37%
	71,991,790		**78.03%**

Additional Information (Continued)

Twenty Largest Shareholders (as at 23 February 2017)

Rank	Name	Units	% of Units
1	BOOKBUILDERS BVI LIMITED	59,657,143	64.664%
2	MR RICHARD CELARC <RICHARD CELARC FAMILY A/C>	9,158,459	9.927%
3	DMRA PROPERTY PTY LIMITED	2,918,408	3.163%
4	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,228,797	1.332%
5	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	1,000,000	1.084%
6	MR PETER ROBERT LEMON	600,000	0.650%
7	FORDHOLM CONSULTANTS PTY LTD <DIANA BOEHME SUPER FUND A/C>	583,015	0.632%
8	MRS ALISON LORD PURVES	500,000	0.542%
9	J C O'SULLIVAN PTY LTD <J C O'SULLIVAN P/L S/F A/C>	500,000	0.542%
10	CLAPSY PTY LTD <BARON SUPER FUND A/C>	500,000	0.542%
11	AGRICO PTY LTD <PALM SUPER FUND A/C>	500,000	0.542%
12	AUST EXECUTOR TRUSTEES LTD <CYAN C3G FUND>	440,000	0.477%
13	TC & DM NEWELL SUPER FUND PTY LTD <TC & DM NEWELL S/F A/C>	400,000	0.434%
14	KAZAKCO PTY LTD <KENT FAMILY A/C>	400,000	0.434%
15	HSBC CUSTODY NOMINEES	397,318	0.431%
16	NATIONAL NOMINEES LIMITED	379,691	0.412%
17	MR GREGORY JOHN HEWETT & MRS LORRAINE SHIRLEY HEWETT <AMIENS SUPER FUND A/C>	370,000	0.401%
18	PAY FARMS PTY LTD <KR & CS PAY SUPER FUND A/C>	350,000	0.379%
19	PERSHING AUSTRALIA NOMINEES PTY LTD <PHILLIP SECURITIES (HK) A/C>	324,644	0.352%
20	CITICORP NOMINEES PTY LIMITED	321,427	0.348%

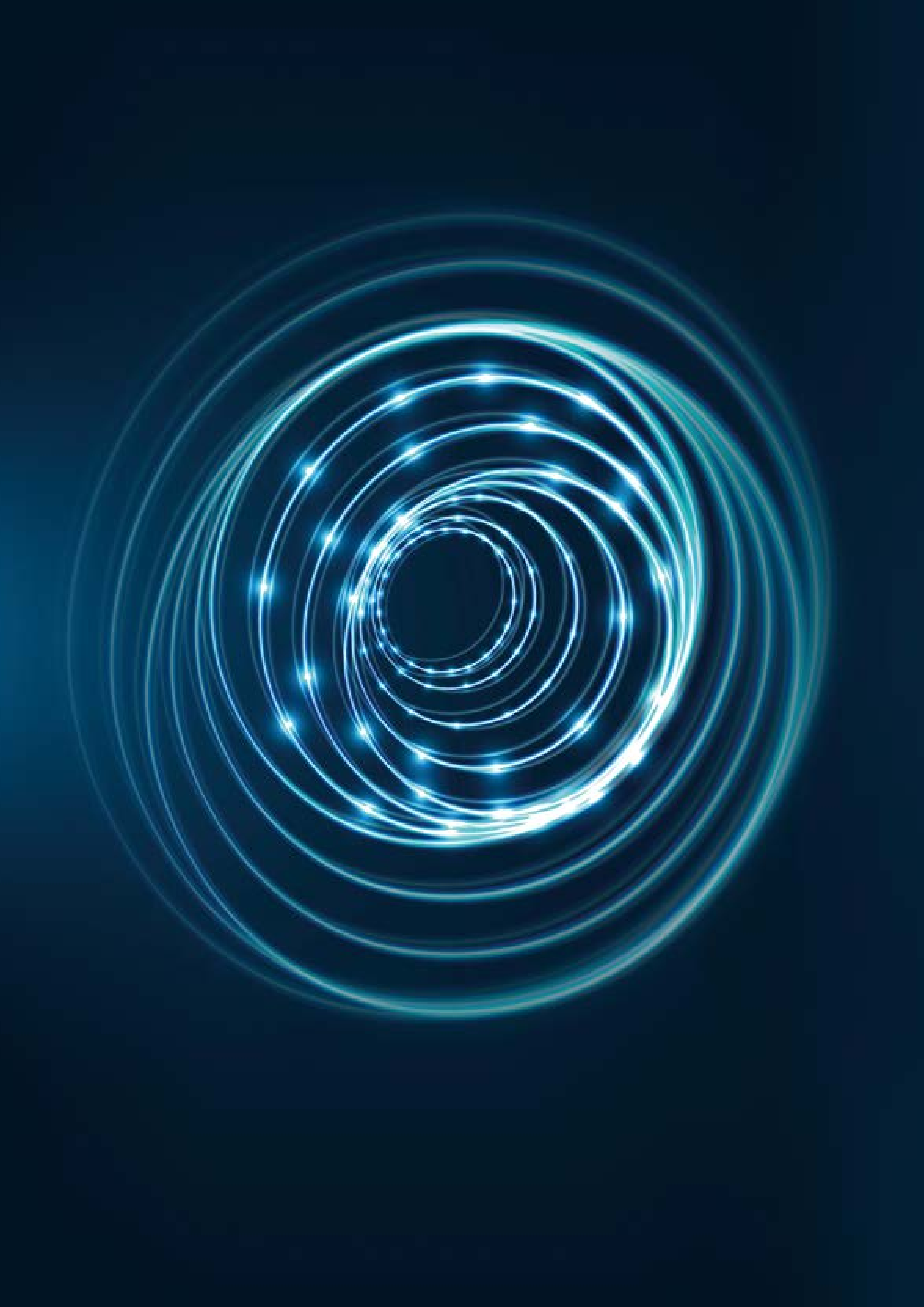
Share Buy-Backs

An extraordinary general meeting was held on 8 December 2016 to approve the on-market share buy-back at 48 cents per share, which was commenced on 9 December 2016 and remains open until the earlier of 8 December 2017 or when 20 million shares have been bought back. As of 23 February 2017 OPUS brought back 4,155,934 shares and fully cancelled.

Other Information

OPUS Group Limited, incorporated and domiciled in Australia, is a Listed Public Company limited by Shares.

This page intentionally left blank



CONTENT
FASTER
SMARTER

OPUS
GROUP