nomad

building solutions limited

# Annual Report

## 30 June 2014

# ANNUAL REPORT – 30 JUNE 2014

Appendix 4E – Lodged with ASX under listing rule 4.3A

**CONTENTS**

# PRELIMINARY FINAL REPORT
# YEAR ENDED 30 JUNE 2014

## APPENDIX 4E

### Results for Announcement to the Market

| | | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|---|
| Revenue from continuing operations | ↓ 26% | 37,940 | 51,688 |
| Loss from continuing operations before tax | ↓ 102% | (175) | 5,094 |
| Loss from continuing operations after tax | ↑ 97% | (175) | (5,285) |
| Net loss attributable to members of Nomad Building Solutions Limited | ↓ 50% | (6,887) | (13,705) |
| | | **2014**<br>**$** | **2013**<br>**$** |
| Net Tangible Assets per ordinary shares | ↓ 33% | 0.05 | 0.075 |

| **Dividends** | **Amount per Security** | **Franked Amount per Security** |
|---|---|---|
| Final dividend | Nil | Nil |
| Previous corresponding period | Nil | Nil |

| | | |
|---|---|---|
| Payment date of dividend | N/A | N/A |
| Record date for determining entitlements to the dividend | | N/A |
| Date for receipt of dividend reinvestment plan notices | | N/A |

# Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Nomad Building Solutions Limited (Company) and the entities it controlled at the end of, or during, the year ended 30 June 2014.

**Directors**
The following persons were directors of Nomad Building Solutions Limited during the whole of the financial year and up to the date of this report:

David John Franklyn was a non-executive director from 1 July 2013 to 28 November 2013, when he was appointed non-executive Chairman, and remains in this position.

Peter Charles Constable was a non-executive director for the whole financial year.

David Bottomley was an alternate director for non-executive director P C Constable for the whole of the financial year.

The following persons were directors of Nomad Building Solutions Limited for part of the financial year:

Andrew John Sturcke was appointed Managing Director on 30 November 2013 and remained in this position for the remainder of the year. The position of Managing Director has been made redundant after 30 June 2014, and Andrew will depart from this position on 7 November 2014, but will remain on the Board as a non-executive Director.

Peter John Hogan was Managing Director from 1 July 2013 to 30 November 2013, whereby he remained on the Board as a non-executive Director. Since year-end Peter has resigned from the Group on 31 July 2014.

Peter Graham Abery was non-executive Chairman from 1 July 2013 to his resignation on 28 November 2013.

**Principal activities**
During the year the principal activities of the Group consisted of:

- the manufacture of modular transportable buildings, and associated project management and installation; and
- housing construction and property development management; and
- rental of accommodation assets.

**Dividends – Nomad Building Solutions Limited**
Dividends paid to members during the financial year were as follows:

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| Final ordinary dividend for the year ended 30 June 2014 of nil (2013: nil) per fully paid share | - | - |
| | - | - |

No dividend has been declared since the end of financial year.

**Review of operations**
The Group reported a net loss after tax of $0.17m from continuing operations for the year ended 30 June 2014.

After allowing for an after tax loss from discontinued operations of $6.71m, the statutory net loss after tax for the year ended 30 June 2014 was $6.9m.

# Directors' Report (continued)

Key Points

- Revenue from continuing operations decreased by 26.6% to $37.9m;
- McGrath Homes continue to generate profits with revenue up 16% on FY2013 and EBITDA of 2.6m;
- Corporate Overheads were $2.1m for the full year, down from $3.9m in FY2013;
- The Rental business generated $0.4m of EBITDA for the full year;
- The NES business was put into care and maintenance in October 2013, and the EBITDA loss of $4.5m includes an onerous contract provision of $1.7m for the lease of the Wacol premises;
- Nomad Modular has reported an EBITDA loss of $1.1m which represents costs to close out the remaining projects;
- Rapley has reported an EBITDA loss of $1.1m which reflects a $0.6m impairment of the houses in Derby and final costs on closing out projects and attending to defect work claims;
- Loss per share (EPS) from continuing operations of 0.6 cents, down from an EPS (before impairment of tax assets) of 1.8 cents;
- No dividend has been declared in relation to earnings for the year ended 30 June 2014;
- Group net cash of $8.3m with no bank debt down from $11.3m in 2013.

Summary of Results from Continuing Operations

| | FY 2014 $M | FY 2013 $M | Change % |
|---|---|---|---|
| ***Continuing Operations*** | | | |
| Revenue | 37.9 | 51.6 | (26.6%) |
| EBITDA | 0.9 | 7.6 | (87.7%) |
| EBIT | (0.1) | 5.5 | (102.0%) |
| Net Profit After Tax but excluding Deferred Tax Impairment | (0.2) | 4.0 | (104.4%) |
| Net Profit After Tax and after Deferred Tax Impairment | (0.2) | (5.3) | (96.7%) |
| Cash Flow From Operations | 0.0 | 3.6 | |
| Earnings Per Share excluding Deferred Tax Impairment | (0.1) | 1.4 | |

The Group Results was achieved through a good profit contribution from McGrath Homes, with the completion of the Rio Tinto project for 80 homes and consistent Private residential sales. The rental business contributed $0.4m of EBITDA for the full year, compared with $10m of EBITDA for FY2013. The FY2013 result included $13.8m of rental asset sales contributing $5.1m of EBITDA. Corporate overhead costs of $2.1m are 46% down from the previous year's level of $3.9m. As announced in early August 2014, with the closure of the Corporate office and integration of functions into the McGrath business, corporate overheads will reduce to approximately $0.5m pa by Q3 FY2015.

As reported at the December half year Nomad Eastern was placed into care and maintenance. It is now treated as discontinued in the accounts, with the office closed in Q3 and all jobs now complete and the premises at Wacol sub leased.

The Group had a net cash outflow from operating activities of $3.5m during the year.

The Group had a net cash position of $8.3m (2013: net cash of $11.3m) and shareholders' equity of $30.35m at 30 June 2014 (2013: equity of $37.23m).

No dividends have been declared in relation to these results.

**Significant changes in the state of affairs**

The Nomad Eastern States business has been closed down and is now treated as a discontinued operation in the accounts.

# Directors' Report (continued)

**Matters subsequent to the end of the financial year**

Nomad is continuing to explore development options for the site in South Headland and is in discussions with the relevant authorities to establish either a development lease leading to freehold or a 20 year lease. As part of this development Nomad committed to infrastructure works in 2011 and with this work now complete Nomad has settled all outstanding development costs with a $2.645m (excluding GST) payment in early July 2014.

Nomad has entered into an agreement for the sub-lease of its leased property in Wacol, Brisbane. The sub-lease of the Wacol lease is for an annual rental of $850,000 plus outgoings, and the term of the lease is one year expiring 30 June 2015, with two options each for a further six months. The sub lease income has been reflected in Note 27 (b) Commitments.

The following changes in Key Management Personnel have occurred post 30 June 2014:

a) Peter Hogan has resigned as non-executive director effective 31 July 2014;
b) The role of NBS Managing Director and Chief Financial Officer has been made redundant and Andrew Sturcke will depart from this position on 7 November 2014. From this date Mr Sturcke will commence as a Non Executive Director.

No other matters or circumstances have arisen since 30 June 2014 that has significantly affected:

(a) the Group's operations in future financial years;
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**
The Group will continue to focus on closing out the few remaining legacy issues, and with its improved position, focus on growth opportunities to enhance shareholder value.

**Environmental regulation**
The protection of the environment is an extremely important aspect within the Group's operations and a necessary element of good corporate citizenship.

The Group is committed to implementing and maintaining sound environmental management systems, to ensure the continual improvement of environmental performance. The Group's environmental management system will operate to maintain a formalised method of control and minimise the environmental impact of all of the Group's activities.

The Group's environmental objectives, within the bounds dictated by regulatory compliance, are to:

- Establish and maintain environmentally responsible waste management and waste disposal;
- Improve the efficiency of energy use;
- Minimise harm to flora and fauna;
- Store all materials in a manner that reduces their potential release to the atmosphere, soil or water;
- Reduce the potential for environmental harm in emergency situations by responding effectively to any emergency using trained personnel and formalised emergency plans;
- Ensure that subcontractors and suppliers conform to relevant requirements of our environmental management system;
- Promote the adoption of sound environmental practices by all personnel through the improvement of overall environmental awareness.

The Group will continue to provide the resources required to achieve effective environmental management, and by doing so, give both the Group's clients and the community an assurance of their sound environmental performance.

# Directors' Report (continued)

National Greenhouse and Energy Reporting Act (NGER)
The Group continues to monitor legislative developments and energy usage to ensure it complies with the requirements of the Act. The Group is currently not registered under the Act.

Carbon Pollution Reduction Scheme (CPRS)
The Group will continue to monitor legislative developments, including the newly introduced carbon tax, and carbon emissions to ensure it complies with the requirements of the legislation.

**Information on directors**

**Mr David Franklyn. *Independent Chairman non-executive Director*. Age 50**

**Experience and expertise**

Mr Franklyn holds an Economics degree from the University of Western Australia and has completed the Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia, now FINSIA.
Mr Franklyn has been involved in the financial services industry for over twenty years. He has extensive experience in the financial analysis of companies, funds management, corporate finance, business management and investor relations. His previous roles include being Head of Research for a national stockbroker and General Manager Corporate Communications for an ASX 200 company.

Mr Franklyn is Chairman of the ASX listed biotechnology company Calzada Ltd and has held that title since 16 April 2009. In addition Mr Franklyn is a non executive director of Queensland based resource sector accommodation provider Village National Ltd.

Mr Franklyn is currently Managing Director of Entrust Funds Management Ltd, a Western Australian based boutique funds management business.

**Other current directorships (of listed entities)**
Entrust Funds Management Ltd – Managing Director
Village National – Executive Director

**Former directorships in the last 3 years**
Calzada Ltd – Chairman

**Interest in shares and options**
Nil.

**Special responsibilities**
- Chairman of the Audit and Risk Management Committee;
- Member of the Nomination and Remuneration Committee.

# Directors' Report (continued)

**Information on directors (continued)**

**Mr Peter Constable. *Non-Independent non-executive Director*. Age 44**

**Experience and expertise**
Mr. Constable is an Executive Director of Sydney based investment manager Ryder Capital Pty Limited. Peter has over 20 years experience in investment markets and has previously served on the boards of three ASX listed companies. Prior to establishing Ryder Capital in June 2008, Peter was an Executive Director of MMC Contrarian Limited, an ASX listed Investment Company. Peter holds a Bachelor of Economics.

**Other current directorships (of listed entities)**
None

**Former directorships in the last 3 years**
None

**Interest in shares and options**
As an Executive Director Ryder Capital Pty Limited, Mr Constable holds 4,625,000 shares in the Company.

**Special responsibilities**

- Member of the Audit and Risk Management Committee;
- Member of the Nomination and Remuneration Committee.

**Mr David Harold Bottomley*, Alternate Director to Mr Peter Constable*. Age 42**

**Experience and expertise**
Mr Bottomley is principal and founder of Ryder Capital, an independent Australian corporate advisory firm. Mr. Bottomley has significant experience in originating and executing M&A advisory and equity capital markets transactions in Australia, the UK and Europe. He has previously held executive positions within Kleinwort Benson, Merrill Lynch & Co and was Managing Director, Australia of the US investment bank GMCG, LLC from 2004 until June 2008.

Mr Bottomley holds a BA (Economic History), LLB (Honours), was admitted to practice as a solicitor in NSW along with the Federal and High Court of Australia in 1996 and is a Fellow of the Financial Services Institute of Australasia

**Other current directorships (of listed entities)**
None.

**Former directorships in the last 3 years**
None.

**Interest in shares and options**
As an Executive Director Ryder Capital Pty Limited, Mr Bottomley holds 3,875,800 shares in the Company.

**Special responsibilities**
Alternate Director to Peter Constable.

# Directors' Report (continued)

**Information on directors (continued)**

**Mr Andrew Sturcke, Managing Director. Age 56**

Mr Sturcke has in excess of 25 years experience in accounting, finance and commercial roles within engineering and construction, contracting services and resources industries. Mr Sturcke has previously been employed as General Manager Finance and Administration – Mining Services Division for BIS Industrial Logistics, Financial Controller for Burns and Worley and General Manager Finance and Administration WA for the United Group. Andrew is a qualified CPA, and was appointed as Chief Financial Officer and Company Secretary of Nomad Building Solutions Limited in June 2011.

**Other current directorships (of listed entities)**
None

**Former directorships in the last 3 years**
None

**Interest in shares and options**
Mr Sturcke has an interest in 160,000 shares in the Company.

**Special responsibilities**

- Managing Director;
- Chief Financial Officer;
- Company Secretary.

**Mr Peter Hogan, *Independent non-executive Director*. Age 54 (resigned July 2014)**

**Experience and expertise**
Mr Hogan has extensive local and international experience having worked offshore in locations including Israel, the United Kingdom and India in a variety of Executive and Project Management roles with British listed entity Hanson Plc, formerly Pioneer International Ltd. Recent positions include Managing Director for Valmont Australia's industrial coatings business, an organisation listed on the New York Stock Exchange, Chief Operating Officer for Austal Ltd and Divisional General Manager of the building materials group Boral Ltd, where he spent seven years. Mr Hogan graduated with a distinction in Applied Science and Mathematics from the Queensland University of Technology.

**Other current directorships (of listed entities)**
None.

**Former directorships in the last 3 years**
None.

**Interest in shares and options**
None.

**Special responsibilities**

- Member of the Audit and Risk Management Committee.

# Directors' Report (continued)

**Information on directors (continued)**

**Mr Peter Abery. *Independent Chairman - non-executive Director*. Age 66 (resigned November 2013)**

**Experience and expertise**
Mr Abery has a Bachelor and a Masters degree in Engineering (Electrical Engineering) and a Masters of Business Administration. He is a Fellow of the Australian Institute of Company Directors, a Member of the Institute of Engineering and Technology, and a graduate of the Harvard Business School's International Senior Managers Program. Mr Abery has extensive experience as a director and executive, and has held senior management roles including CEO and Managing Director of such companies as HPM Industries, Crown Castle UK, Crown Castle Australia, Vodafone Network and QPSX Communications. He also held senior management/director positions in Telstra. Mr Abery was appointed Chairman of the Board on 29 November 2010. Mr Abery is also the non executive chairman of listed entity Kresta Holdings Ltd and non executive Chairman of the unlisted company Vesco Foods Pty Ltd, and a non-executive director of Australian Convenience Foods Pty Ltd, West Australian Institute of Sport and the Ear Science Institute of Australia Inc.

**Other current directorships (of listed entities)**
Kresta Holdings Ltd, 26 June 2012, appointed Chairman 14 August 2013.

**Former directorships in the last 3 years**
Norfolk Group Limited (until 4 August 2010).
pieNetworks Limited (until 26 July 2011).

**Interest in shares and options**
Mr Abery has an interest in 750,000 shares in the Company.

**Special responsibilities**
- Member of the Audit and Risk Management Committee;
- Chairman of the Nomination and Remuneration Committee.

**Meetings of directors**
The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director was as follows:

| | Full meetings of Board | | Audit and Risk Management | | Nomination and Remuneration | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| P G Abery | 5 | 5 | 2 | 2 | 1 | 1 |
| D J Franklyn | 12 | 12 | 4 | 4 | 3 | 3 |
| P C Constable | 9 | 12 | 4 | 4 | 3 | 3 |
| D Bottomley | 4 | 12 | * | * | * | * |
| P J Hogan | 12 | 12 | 2 | 2 | * | * |
| A J Sturcke | 7 | 7 | * | * | * | * |

A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the Committee.
* = Not a member of the relevant Committee.

# Directors' Report (continued)

**Retirement, election and continuation in office of directors**

Mr David Franklyn has served as a non-executive director until 30 November 2013, when he reverted to the role of Chairman.
Mr Peter Abery served as Chairman of the board until his resignation on 30 November 2013.
Mr Peter Hogan served as Managing Director until 30 November 2013 when he reverted to the role of non-executive director. He has since resigned from the board on 31 July 2013.
Mr Andrew Sturcke was appointed Managing Director on 01 December 2013.

# Directors' Report (continued)

## Corporate Governance Statement

The Board of Nomad Building Solutions Limited and its controlled entities are committed to achieving and demonstrating the highest standards of corporate governance. A periodic review of the Company's corporate governance framework is conducted to ensure compatibility with the best practice recommendations released by the Australian Securities Exchange ('ASX') Corporate Governance Council. The Company's framework is largely consistent with the recommendations. The Company and its controlled entities together are referred to as the Group in this statement.

The relationship between the Board and senior management is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Company in both the short and longer term, and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

A description of the Company's main corporate governance practices is set out below. These practices were adopted prior to listing on the Australian Securities Exchange (ASX) in October 2006. The corporate governance policies are available on the Company's website: www.nomadbuildingsolutions.com.au.

**THE BOARD OF DIRECTORS**
The Board of Directors takes ultimate responsibility for corporate governance and operates in accordance with the following board principles.

**Board composition**

- The Board should comprise between 3 and 9 directors.
- The Board is to be comprised of both executive and non-executive directors with a majority of non-executives. Non-executive directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management.
- In recognition of the importance of independent views and the Board's role in supervising the activities of management, the Chairman must be an independent non-executive director, the majority of the Board must be independent of management and all directors are required to bring independent judgement to bear in their Board decision-making.
- The Chairman is elected by the full Board and is required to meet regularly with the Managing Director.
- The Company is to maintain a mix of directors on the Board from different backgrounds with complementary skills and experience.
- The Board undertakes an annual Board performance review and considers the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

# Directors' Report (continued)

## Corporate Governance Statement (continued)

### Responsibilities

The responsibilities of the Board include:

- providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives; and
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment or removal and contributing to the performance assessment for the members of the senior management team including the Group's Managing Director, the Chief Financial Officer and the Group's General Managers;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation; and
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

To assist in fulfilling its responsibilities, the Board has an Audit and Risk Management Committee and a Nomination and Remuneration Committee.

### Board members

Details of the members of the Board, their experience, expertise, qualifications and term of office are set out in the Directors' Report under the heading "Information on directors". The Board currently comprises five non-executive directors and one executive director. At the date of signing the Directors' Report under the principles set out below, the Board has a majority of independent directors in accordance with the ASX Corporate Governance Council's best practice recommendations.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

### Directors' independence

The Board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or any other Group member (other than in a temporary capacity), or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional adviser or a material consultant to the Company or any other Group member, or any employee materially associated with the service provided;

# Directors' Report (continued)

## Corporate Governance Statement (continued)

**Directors' independence** (continued)

- not be a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- must have no material contractual relationship with the Company or a controlled entity other than as a director of the Group;
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of the Company; and
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

**Non-executive directors**

The non-executive directors meet at least twice during the year, without the presence of management, to discuss the operation of the Board and a range of other matters. Relevant matters arising from these meetings are shared with the full Board.

**Term of office**

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting. One third of members of the Board, excluding the Managing Director, retire by rotation at every annual general meeting of the Company.

**Chairman and Managing Director**

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and ensuring the Board has open access to the Company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies. The roles of Chairman and Managing Director are ideally separate roles to be undertaken by separate people.

**Commitment**

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director, is disclosed on page 8.

Prior to appointment, each non-executive director is required to specifically acknowledge that they have, and will continue to have, the time available to discharge their responsibilities to the Company.

**Conflict of interests**

There were no conflicts of interest to disclose for the reporting period.

**Independent professional advice**

Directors and Board Committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

# Directors' Report (continued)

## Corporate Governance Statement (continued)

### Corporate reporting

The Managing Director and Chief Financial Officer are required to make the following declaration to the Board in relation to six monthly and annual financial statements:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and Group and are in accordance with relevant accounting standards.

### Board Committees

To assist in the execution of its duties and to allow detailed consideration of complex issues, the Board has established the following Committees:

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

The Committees are comprised entirely of non-executive directors. Where a non-executive director holds a temporary role in an executive capacity, they will continue to serve on the committee as long as the majority of members remain independent. The committee structure and membership is reviewed on an annual basis.

Each Committee has its own role and responsibilities, structure, membership requirements and method of operation. All matters determined by Committees are submitted to the full Board as recommendations for Board decision.

Minutes of Committee meetings are tabled at the immediately subsequent Board meeting.

### NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee consists of the following directors:

D J Franklyn (Chairman)
P C Constable

Details of the qualifications and attendance at Nomination and Remuneration Committee meetings are set out in the Directors' Report on pages 5 to 8. All members of the Committee are non-executive directors with a majority being independent directors in accordance with principles detailed on page 11 to 12.

A main responsibility of the Nomination and Remuneration Committee is to advise the Board on remuneration and incentive policies and practices generally, and make specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Committee members obtain relevant comparative information and seek independent advice on recent developments on remuneration and related matters. The Committee ensures compliance with the established remuneration framework of the Company. Further details and information on directors' and executives remuneration is set out in the Directors' Report under the heading "Remuneration Report".

The Nomination and Remuneration Committee's responsibilities include the review of any transactions between the organisation and the directors or any interest associated with the directors to ensure the structure and the terms of the transactions are in compliance with the *Corporations Act 2001* and are appropriately disclosed. Further information on related party transactions are set out in notes 28 to the financial statements.

# Directors' Report (continued)

## Corporate Governance Statement (continued)

**NOMINATION AND REMUNERATION COMMITTEE (continued)**

The Committee's responsibilities extend to ensuring that there is a formal process in place for selecting and appointing new directors and key executives and that the process is transparent. Prior to identifying an individual for nomination for directorship, the Committee must evaluate the range of skills, experience and expertise currently existing on the Board to ensure that the Committee identifies the particular skills, experience and expertise that will most effectively complement the Board's current composition.

**AUDIT AND RISK MANAGEMENT COMMITTEE**

The Audit and Risk Management Committee consists of the following non-executive directors:

D J Franklyn
P C Constable (Chairman)
P J Hogan

Details of these directors' qualifications and attendance at Audit and Risk Management Committee meetings are set out in the Directors' Report on pages 5 to 8. All members of the Committee are non-executive directors with a majority being independent directors in accordance with principles detailed on pages 11 to 12.

The Audit and Risk Management Committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The main responsibilities of the Committee are to:

- review, assess and approve the annual full report, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Management Committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year or more frequently if necessary;
- reviews the processes the Managing Director and Chief Financial Officer have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors at least twice a year without the presence of management; and
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the Audit and Risk Management Committee or the Chairman of the Board.

The Audit and Risk Management Committee has authority, within the scope of its responsibilities, to seek information it requires from any employee or external party.

# Directors' Report (continued)

## Corporate Governance Statement (continued)

### EXTERNAL AUDITORS

The Company and Audit and Risk Management Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. BDO Audit (WA) Pty Ltd was appointed as the external auditor in 2006. It is BDO Audit (WA) Pty Ltd policy to rotate audit engagement partners on listed companies at least every five years, and in accordance with that policy.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 25 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Management Committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### RISK ASSESSMENT AND MANAGEMENT

The Board, through the Audit and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company website. In summary, the Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

Detailed control procedures cover financial reporting, management accounting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

The Managing Director develops an annual business plan to focus on the identification of the key business and financial risks which could prevent the Company from achieving its objectives. The Board is responsible for the review of the Group's strategic direction.

### CODE OF CONDUCT FOR DIRECTORS AND EMPLOYEES

The Board has developed and approved a Code of Conduct (the Code) which applies to all directors and employees. The Code will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

The objective of the Code is to ensure that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies. A copy of the Code is available on the Company's website: www.nomadbuildingsolutions.com.au.

### CODE OF CONDUCT COVERING OBLIGATIONS TO STAKEHOLDERS

The Board has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. This code deals with the following principal areas:

- responsibilities to shareholders;
- responsibilities to clients, customers and consumers;
- employment practices;
- obligations relative to fair trading and dealing;
- responsibilities to the community;
- compliance with legislation affecting its operations;
- compliance with the code; and
- compliance with the Group's OH&S policies

## Corporate Governance Statement (continued)

### TRADING IN COMPANY SECURITIES

The Company has a securities trading policy for directors and executives. The policy requires directors and executives to obtain the approval of two directors, preferably the Chairman and Managing Director, if they intend to trade in securities of the Company.

No trading is permitted if the person is aware of any price sensitive information. A director or executive of the Company may only trade in Company securities at the following times:

- one day to six weeks following the release of the half year financial results to the ASX;
- one day to six weeks following the release of the Company's preliminary full year financial results;
- one day to six weeks following the Annual General Meeting of the Company;
- at any time the Company has an offer under a prospectus open; or
- at any other time the Board declares trading permissible in a written note to all directors and executives to whom this policy applies and the ASX.

The details of any transactions must be provided to the Company Secretary.

Other employees are free to trade in the Company's securities unless they are aware of, or in possession of, any price sensitive information. Employees are required to obtain confirmation from the Managing Director or the Company Secretary if they have any doubt whether they are able to trade in the Company's securities.

The prohibitions extend to the related entities and families of the restricted person.

### CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company hosts group and one-on-one briefings for institutional investors and analysts to discuss information previously released to the market and to provide background information to assist analysts and institutions in their understanding of the Company's business. The briefings are generally conducted by the Managing Director and the Chief Financial Officer.

The Managing Director and the Chief Financial Officer will correct factual inaccuracies or historical matters when reviewing analysts' reports. The Company will not provide price sensitive information or earnings guidance unless it has previously been disclosed to the market.

The Company Secretary has been nominated as the person responsible for communications with the ASX. The role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

All shareholders are entitled to receive a copy of the Company's annual reports. In addition, the Company seeks to provide opportunities for shareholders to participate through electronic means. This includes making all Company announcements, media briefings, details of Company meetings, press releases and financial reports available on the Company's website: www.nomadbuildingsolutions.com.au.

### DIVERSITY POLICY

The Board of Directors recognise that fostering a culture that respects and values diversity will enrich our perspective, foster harmony in the workplace and improve performance. The Board recognises that this will increase the likelihood of becoming a valued service provider in our market sector and significantly propel the company towards achieving its measurable objectives.

The Board of Directors is committed to ensuring the group establishes measurable objectives for diversity, assess annually the objectives set for achieving diversity; and annually assesses the progress made towards achieving the objectives set.

# Directors' Report (continued)

## Corporate Governance Statement (continued)

The Board understands that diversity means the differences in gender, race, culture, age, family or carer status, religion and disability that exist among the workforce. This diversity policy is implemented through all levels of the workforce by the more expansive company polices including the Human Resources policy.

**STRATEGY**

The following shall be undertaken;

- Implement an equitable recruitment process for personnel and officers of the company, to source the best person for the position;
- Promote and employ personnel based on a system of merit and ensure consideration for personal requirements, domestic responsibilities and cultural/ethnic sensitivities is built into employment arrangements;
- Provide learning and development strategies and opportunities to develop the knowledge skills and experience of all employees;
- Develop an executive mentoring program to ensure personnel are suitably prepared and adequately skilled for senior management and board positions;
- Set aside commonly held assumptions based on gender, age, sexuality, culture/ethnicity, language and religious beliefs, and regardless of any disability or flexible workplace practices;
- Implement a process where employee can receive counselling, support and advice on conflict, discrimination and harassment;
- Maintain a safe work environment, taking action against inappropriate workplace behaviour including discrimination, harassment, bullying and victimisation; and
- Include in the annual report details of the measurable objectives set by the Board, disclosing in the report the proportions of organisation and board personnel in terms of position, gender and ethnicity.

# Directors’ Report (continued)

## REMUNERATION REPORT (AUDITED)

The Remuneration Report is set out under the following main headings:
A. Principles used to determine the nature and amount of remuneration.
B. Details of remuneration.
C. Service agreements.
D. Share based compensation.
E. Additional information.

The information provided in this Remuneration Report has been audited as required by Section 308(3c) of the *Corporations Act 2001*.

**A. Principles used to determine the nature and amount of remuneration**

The Group’s remuneration structure takes the following into account:
- the capability and experience of the directors and senior executives;
- the senior executives’ ability to control the relevant division’s performance;
- the Group’s performance including:
  - the Group’s earnings; and
  - the growth in share price and returns on shareholder investment;
- the amount of incentives (if any) within each director’s and senior executive’s remuneration; and
- the complexity and challenges of particular roles.

Remuneration levels are competitively set to attract qualified and experienced directors and Key Management Personnel and are reviewed on an annual basis. The Group currently has in place a three tiered remuneration approach, the elements of which are:
- an annual fixed remuneration package;
- short-term variable incentives in the form of bonuses; and
- long-term incentives in the form of a share option scheme for certain senior executives, the details of which are included in this Report.

When considering such incentives, the Board ensures that executive reward satisfies the following criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- individual circumstances;
- transparency; and
- capital management.

The Group has in place short-term and long-term incentive plans for other senior executives that are formulated around the same principles outlined above. The Group’s overall remuneration framework provides a blend of fixed and variable pay and of short and long term incentives.

**Directors**

**Non-executive directors**
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors’ fees are reviewed annually by the Board. When setting fees and other compensation for non-executive directors, the Board takes independent advice and applies Australian benchmarks. The Chairman’s fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-executive directors currently do not receive share options or shares as part of their remuneration.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

**Directors' fees**

The current remuneration, of $50,000, including superannuation, was reviewed with effect from 01 July 2013, a downward revision from $67,500. There was also a downward revision of the Chairman's remuneration from $129,000 to $90,000 on 01 July 2013, and then another downward revision to $70,000 on 01 December 2013. Directors' fees are inclusive of committee fees.

Non-executive director's fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool currently stands at $400,000 per annum and was approved by shareholders on 25 September 2006. The current non-executive director's fees are within the approved limit and there are no plans to increase this pool within the next financial year.

**Payment for extra services**

A director called upon to perform extra services or undertake any executive or other work for the Group beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Board. This is normally in addition to the director's usual remuneration provided. However depending on the nature and term of a non-executive director taking over an executive role, a director may, with the approval of the Nomination and Remuneration Committee have their fixed fees suspended and replaced with a salary or other fixed sum.

**Effect of cessation of office**

Under the Company's Constitution, with the approval of the Company in a general meeting, the directors may, upon a director ceasing to hold office or at any time after a director ceases to hold office whether by retirement or otherwise, pay to the former director or, in the case of death any of the legal personal representatives or dependents of the former director, a lump sum in respect of past services of the director of an amount not exceeding the amount either permitted by the *Corporations Act 2001* or the ASX Listing Rules.

The Company may contract with any director to secure payment of the lump sum to the director, his or her legal personal representatives or dependants or any of them, unless prohibited by the *Corporations Act 2001* or the ASX Listing Rules.

**Financial benefit**

A director must ensure that the requirements of the *Corporations Act 2001* are complied with in relation to any financial benefit given by the Company to the director or to any other related party of the director.

The Company must not make loans to directors or provide guarantees or security for obligations undertaken by directors except as may be permitted by the *Corporations Act 2001.*

**Executives**

**Executive pay**

Executive remuneration and reward framework consists of the following components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives through participation in a Nomad Building Solutions Long-term Incentive Plan.

The combination of these comprises the executive's total remuneration.

**Base pay**

Remuneration is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure that each executive's pay is competitive to the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any executive's employment agreement.

**Benefits**

Executives, as part of their remuneration package, may receive benefits such as a car allowance or a fully maintained motor vehicle and a motor vehicle fuel card.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

**Superannuation**

Retirement benefits are delivered as required under the Australian superannuation guarantee legislation.

**Short-term incentives**

Executives are eligible for short-term cash incentive (bonus) payments based on percentages of their fixed annual remuneration base salary. Bonus payments are predominantly determined by measuring performance against criteria including the overall Group and individual Divisions achieving prescribed financial and occupational health and safety targets, and the executive meeting personal key performance indicators set at the beginning of the year. The payment of the short-term incentive is at the discretion of the Board which considers the performance of the Group, whether value has been created for shareholders, that profit is consistent with the business plan and the executive's contribution to the business. The level of incentive is designated for each executive based on their ability to impact the Group's performance. Cash incentives are determined based on financial years and are payable on or about 30 September of the following financial year, after the year's financial results have been audited and approved by the Board.

**Long-term incentives**

Long-term incentives are available to executives via a Nomad Building Solutions Long-term Incentive Plan, see Part D of this Remuneration Report for further information.

Specific details relating to the terms and conditions of employment for each executive director are also set out below.

**B. Details of remuneration**

**Amounts of remuneration**

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Nomad Building Solutions Limited and the Group are set out in the following tables.

The key management personnel of the Group includes the directors of Nomad Building Solutions Limited (refer to table on the next page) and the following executive officers who report directly to the Managing Director and who have authority and responsibility for planning, directing and controlling the activities of the Group:

- E P Davies — General Manager, McGrath Homes
- R Gibson — General Manager, Nomad Eastern States Ltd, was made redundant in January 2014

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

The following table provides the details of all directors of the Company and the key management personnel of the Group with authority and the nature and amount of the elements of their remuneration for the year ended 30 June 2014:

| 2014 | Short-term benefits | | | | | Post-employment benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Cash bonus $ | Other $ | Non-monetary benefits $ | Termination benefits | Superannuation $ | Options $ | $ |
| **Non-executive directors** | | | | | | | | |
| **Current** | | | | | | | | |
| D J Franklyn | 56,445 | - | - | - | - | 5,221 | - | 61,667 |
| P C Constable | 45,767 | - | - | - | - | 4,233 | - | 50,000 |
| D Bottomley | - | - | - | - | - | - | - | - |
| P J Hogan (from 01 December 2013) (1) | 26,697 | - | - | - | - | 2,469 | - | 29,166 |
| **Former** | | | | | | | | |
| P G Abery (2) | 34,325 | - | 417* | - | - | 3,175 | - | 37,917 |
| **Sub-total non-executive directors** | **163,234** | **-** | **417** | **-** | **-** | **15,098** | **-** | **178,749** |
| **Executive directors** | | | | | | | | |
| A J Sturcke (from 01 December 2013) (3) | 318,894 | 50,000 | - | - | - | 24,456 | 15,142 | 408,492 |
| **Former** | | | | | | | | |
| P J Hogan (1) | 162,962 | - | - | 4,314 | 115,214 | 12,500 | (115,558) | 179,432 |
| **Other key management personnel** | | | | | | | | |
| **Current** | | | | | | | | |
| E P Davies (4) | 300,000 | 120,000 | 15,000* | - | - | 27,750 | 15,142 | 477,892 |
| **Former** | | | | | | | | |
| R Gibson (4) | 129,096 | 37,666 | 13,558* | 12,459 | 184,863 | 26,327 | - | 403,969 |
| **Total key management personnel compensation** | **1,074,186** | **207,666** | **28,975** | **16,773** | **300,077** | **106,132** | **(85,274)** | **1,648,535** |

1. P J Hogan was Managing Director from 01 July 2013 until 30 November 2013 when he reverted to the role of non-executive director. He resigned from the board on 31 July 2014. He received a termination benefit as part of his contract.
2. P G Abery was a non-executive Director until his resignation on 30 November 2013.
3. A J Sturcke was Chief Financial Officer from 01 July 2013 until 01 December 2013 when he was appointed to the role of Managing Director. He received a performance bonus as part of his contract.
4. E Davies was General Manger of McGrath Homes. He received a retention bonus as part of his contract,
5. R Gibson was General Manager of Nomad Eastern States until his redundancy on 15 January 2014. He received a retention bonus and termination benefit on termination as part of his contract.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)
*Other Short-Term Benefits

- P Abery: Car Allowance
- E Davies: Payment for use of Builder's Registration License
- R Gibson: Car Allowance

The following table provides the details of all directors of the Company and the key management personnel of the Group with authority and the nature and amount of the elements of their remuneration for the year ended 30 June 2013:

| 2013 | Short-term benefits | | | | Post-employment benefits | Share-based payments | Total |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Cash bonus $ | Other $ | Non-monetary benefits $ | Superannuation $ | Options $ | $ |
| **Non-executive directors** | | | | | | | |
| P G Abery | 118,501 | - | 1,000* | - | 15,165 | - | 134,666 |
| D J Franklyn (1) | 56,804 | - | - | - | 5,112 | - | 61,916 |
| PC Constable (from 23 August 2012) (2) | 53,272 | - | - | - | 4,795 | - | 58,067 |
| D Bottomley (from 14 September 2012) (3) | - | - | - | - | - | - | - |
| **Former** | | | | | | | |
| D J Cochrane (4) | 20,718 | - | - | - | 1,864 | - | 22,582 |
| D A Craig (5) | 5,199 | - | 535* | - | 516 | - | 6,250 |
| M Folwell (6) | 11,988 | - | - | - | 1,079 | - | 13,067 |
| **Sub-total non-executive directors** | **266,482** | **-** | **1,535** | **-** | **28,531** | **-** | **296,548** |
| **Executive directors** | | | | | | | |
| P J Hogan (from 01 August 2012) | 372,993 | - | - | 11,687 | 22,916 | 115,558 | 523,154 |
| **Former** | | | | | | | |
| D J Franklyn (1) | 29,696 | - | - | - | 2,673 | - | 32,369 |
| M B Bourke (7) | 98,109 | - | 50,114* | - | 3,801 | - | 152,024 |
| **Other key management personnel** | | | | | | | |
| **Current** | | | | | | | |
| A J Sturcke | 316,995 | - | - | - | 24,992 | 29,548 | 371,535 |
| E P Davies | 277,134 | - | 15,000* | - | 24,942 | 29,548 | 346,625 |
| **Former** | | | | | | | |
| M B Brockbank (8) | 61,568 | - | 73,212* | - | 13,640 | (8,067) | 140,353 |
| B R McDonald (9) | 303,418 | 20,000 | 24,221* | - | 23,958 | (13,931) | 357,666 |
| **Total key management personnel compensation** | **1,726,395** | **20,000** | **164,082** | **11,687** | **145,453** | **152,656** | **2,220,274** |

1. D J Franklyn was an executive director from 12 March 2012 until 31 July 2012 when he reverted to the role of non-executive director.
2. P C Constable was appointed a non-executive director from 23 August 2012.
3. D Bottomley was appointed as alternate director for non-executive director P Constable on 21 September 2012.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

4. D J Cochrane was a non-executive director until his resignation on 23 October 2012.
5. D A Craig was a non-executive director until his resignation on 31 July 2012.
6. K M Folwell was appointed as a non-executive director on 23 August 2012 and tendered his resignation on 23 October 2012.
7. M J Bourke was Managing Director until his resignation on 12 March 2012.
8. M Brockbank was General Manager of Rapley Wilkinson until his resignation, effective 26 September 2012.
9. B McDonald was Chief Executive Officer of Nomad Eastern States until his resignation on 14 June 2013.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| **Name** | **Fixed remuneration** | | **At risk - STI** | | **At risk – LTI** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| **Executive directors** | | | | | | |
| A J Sturcke | **84%** | 92% | **12%** | - | **4%** | 8% |
| P J Hogan | **100%** | 78% | **-** | - | **-** | 22% |
| **Key management personnel** | | | | | | |
| E P Davies | **72%** | 92% | **25%** | - | **3%** | 8% |
| R Gibson | **91%** | - | **9%** | - | **-** | - |

The proportions shown in the above table are in relation to actual income earned in the relevant year, and not to overall package entitlements. "n/a" stands for not applicable as the executive was not eligible for that type of remuneration during the relevant period.

**C. Service agreements**

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment.

Remuneration and other terms of employment for the Managing Director and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and may include other benefits including car allowance and a fuel card, and participation, when eligible, in a Group Long-term Incentive Plan. Other major provisions of the agreements relating to remuneration are set out below.

A J Sturcke, Managing Director / Chief Financial Officer (Nomad Building Solutions)

- Fixed annual reward, including superannuation and other benefits of $343,350 to be reviewed annually by the Nomination and Remuneration Committee and the Board.
- Short-term incentive bonus of up to 35% of base salary.
- Participation in the Executive Long-term Incentive Plan.
- Non-competition period of 12 months upon termination of employment with the Group.
- 3 months notice of termination.
- An additional $50,000 short-term incentive bonus payment.

P J Hogan, Managing Director (Nomad Building Solutions), resigned November 2013

- Fixed annual reward, including superannuation and other benefits of $450,000 to be reviewed annually by the Nomination and Remuneration Committee and the Board.
- Short-term incentive bonus of up to 50% of base salary.
- Participation in the Executive Long-term Incentive Plan.
- Non-competition period of 12 months upon termination of employment with the Group.
- 1 month notice of termination.

E P Davies, General Manager (McGrath Homes)

- Base salary of $300,000 to be reviewed annually by the Nomination and Remuneration Committee.
- Superannuation of 9.25% of base salary
- Short-term incentive bonus of up to 35% of fixed annual reward.
- Participation in the Executive Long-term Incentive Plan.
- Non-competition period of 12 months upon termination of employment with the Group.
- 3 months notice of termination.
- A one-off maximum $120,000 retention payment

# Directors' Report (continued)
REMUNERATION REPORT (Continued)

R Gibson, General Manger (Nomad Eastern States), redundant January 2014

- Base salary of $245,000 to be reviewed annually by the Nomination and Remuneration Committee.
- Superannuation of 9.25% of base salary
- Short-term incentive bonus of up to 35% of fixed annual reward.
- Participation in the Executive Long-term Incentive Plan.
- Non-competition period of 9 months upon termination of employment with the Group.
- 3 months notice of termination.
- A one-off maximum $60,000 retention payment, or pro-rata amount on termination

## D. Share-based compensation

### 1. Equity instrument disclosure relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options can be found in section D of the Remuneration Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each executive director of Nomad Building Solutions Limited and other key management personnel of the Group, including their personally held related parties, are set out below.

**2014**

| Name | Balance at the start of the year | Granted as compensation | Exercised | Other Changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors of Nomad Building Solutions Limited** | | | | | | | |
| P Hogan | 5,000,000 | - | - | (5,000,000) | - | - | - |
| A J Sturcke | 1,850,000 | - | - | - | 1,850,000 | - | 283,900 |
| **Other key management personnel of the Group** | | | | | | | |
| E P Davies | 1,850,000 | - | - | - | 1,850,000 | - | 283,900 |

Mr P Hogan ceased employment as Managing Director on 30 November 2013 and his options lapsed on the cessation of employment as managing director.

**2013**

| Name | Balance at the start of the year | Granted as compensation | Exercised | Other Changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors of Nomad Building Solutions Limited** | | | | | | | |
| P Hogan | - | 5,000,000 | - | - | 5,000,000 | - | 3,333,500 |
| **Other key management personnel of the Group** | | | | | | | |
| B McDonald | 1,300,000 | 850,000 | - | (2,150,000) | - | - | - |
| A J Sturcke | 1,000,000 | 850,000 | - | - | 1,850,000 | - | 1,266,669 |
| M B Brockbank | 1,000,000 | - | - | (1,000,000) | - | - | - |
| E P Davies | 1,000,000 | 850,000 | - | - | 1,850,000 | - | 1,266,669 |
| P Robinson | 300,000 | - | - | (300,000) | - | - | - |

Mr B McDonald ceased employment on 14 June 2013. Mr M Brockbank ceased employment on 26 September 2012. Mr P Robinson ceased employment on 07 February 2013.
The options granted lapsed on their cessation of employment.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

**1. Equity instrument disclosure relating to key management personnel (continued)**

(iii) Share holdings

The number of shares in the Company held during the financial year by each director of Nomad Building Solutions Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares issued during the reporting period as compensation.

**2014**

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year | Nominally held |
|---|---|---|---|---|---|
| **Directors of Nomad Building Solutions Limited** | | | | | |
| **Ordinary shares** | | | | | |
| P G Abery | 750,000 | - | - | 750,000 | 750,000 |
| D Bottomley | 41,968,800 | - | (38,718,800) | 3,250,000 | - |
| P C Constable | 41,968,800 | - | (37,968,800) | 4,000,000 | - |
| D J Franklyn | - | - | - | - | - |
| P J Hogan | - | - | - | - | - |
| A J Sturcke | 160,000 | - | - | 160,000 | 160,000 |
| **Other key management personnel of the Group** | | | | | |
| E P Davies | - | - | - | - | - |

**2013**

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year | Nominally held |
|---|---|---|---|---|---|
| **Directors of Nomad Building Solutions Limited** | | | | | |
| **Ordinary shares** | | | | | |
| P G Abery | 750,000 | - | - | 750,000 | 750,000 |
| D Bottomley | 40,718,800 | - | 1,250,00 | 41,968,800 | - |
| D J Cochrane | - | - | - | - | - |
| P C Constable | - | - | 41,968,800 | 41,968,800 | - |
| D A Craig* | 200,000 | - | - | 200,000 | 200,000 |
| K M Folwell | - | | - | - | - |
| D J Franklyn | - | - | - | - | - |
| P J Hogan | - | - | - | - | - |
| **Other key management personnel of the Group** | | | | | |
| B McDonald | - | - | - | - | - |
| A J Sturcke | 160,000 | - | - | 160,000 | 160,000 |
| M B Brockbank | - | - | - | - | - |
| E P Davies | - | - | - | - | - |
| P R Robinson | - | - | - | - | - |

* D Craig resigned on 31 July 2012

**Options**

Options over shares in Nomad Building Solutions Limited are issued under Long-term Incentive Plans. These Incentive Plans are designed to provide long-term incentives for executives to deliver superior long-term shareholder returns. Each Plan has had a number of updates. Details of the different, identifiable Plans are outlined below.

For all Plans:
- The options can only be exercised if the employees are still employed by the Group.
- Options issued under each Plan carry no dividend or voting rights. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. Each Plan's rules do not permit the transfer of options.
- No options have vested and as a result no ordinary shares in the Company were provided as a result of the exercise of remuneration options to directors of Nomad Building Solutions Limited and other key management personnel of the Group.

**Executive Long-term Incentive Plan 2011**

Options were issued under the Nomad Long-term Executive Incentive Plan 2011, which was approved by the Board on 26 May 2011.

| Grant date | Date vested and exercisable* | Expiry date | Exercise price ($) | Value per option at issue date ($) |
|---|---|---|---|---|
| 30 June 2011 | 10% on 30/06/12 | 30 June 2016 | 0.13 | 0.0193 |
| | 20% on 30/06/13 | 30 June 2016 | 0.13 | 0.0193 |
| | 70% on 30/06/14 | 30 June 2016 | 0.13 | 0.0193 |
| 3 January 2012 | 10% on 30/06/12 | 30 June 2016 | 0.13 | 0.0163 |
| | 20% on 30/06/13 | 30 June 2016 | 0.13 | 0.0163 |
| | 70% on 30/06/14 | 30 June 2016 | 0.13 | 0.0163 |

Exercise of options is based on two independent measures, with each measure providing up to 50% of the available units. The targets are Nomad Building Solutions Limited's performance against two benchmarks, namely:

(a) earnings per share targets for the first, second and third years; and

(b) total shareholder return exceeding the return of the mid-ranked company in the ASX 300 AI from the issue date.

If options are not exercisable at the first available vesting date, they become vested and exercisable if the tests are passed on a cumulative basis, for the period of measurement at a subsequent vesting date.

Once vested, the options remain exercisable for a period of 5 years from the issue date. When exercisable, each option is convertible into one ordinary share.

All shares issued upon exercise of options will be held in escrow until the end of an escrow period.

| Proportion of issue to an individual | End of escrow period |
|---|---|
| One half | 36 months after issue date of options |
| One sixth | 42 months after issue date of options |
| One sixth | 48 months after issue date of options |
| One sixth | 54 months after issue date of options |

The initial exercise price of the options of $0.13 was established based on the VWAP during the 5 trading days most recently preceding the date on which the Board established the Plan.

No performance hurdles have been met for options issued under this Plan.

**Executive Long-term Incentive Plan 2012**

Options were issued under the Nomad Long-term Executive Incentive Plan 2012, which was approved by the Board on 25 September 2012.

| Grant date | Date vested and exercisable* | Expiry date | Exercise price ($) | Value per option at issue date ($) |
|---|---|---|---|---|
| 12 December 2012 | 33.3% on 30/06/13 | 12 December 2017 | 0.095 | 0.0152 |
| | 33.3% on 30/06/14 | 12 December 2017 | 0.095 | 0.0152 |
| | 33.4% on 30/06/15 | 12 December 2017 | 0.095 | 0.0152 |

The options vest as to one third each year for three years following issue. The exercising of vested options is based on two independent measures, with each measure providing up to 50% of the available units. Vested options can only be exercised if the performance benchmarks are met. The targets are Nomad Building Solutions Limited's performance against two benchmarks, namely:

(a) earnings per share targets for the first, second and third years; and
(b) total shareholder return exceeding the return of the mid-ranked company in the SAP / ASX Small Ordinaries Index (ASX Small Ords A1:).

If a performance hurdle in the form of an option exercise criterion is not met in whole or part on a test date, the options may be exercised at a later Test Date, the option exercise criterion is satisfied on a cumulative basis.

Once vested, the options remain exercisable for a period of 5 years from the issue date. When exercisable, each option is convertible into one ordinary share.

All shares issued upon exercise of options will be held in escrow until the end of an escrow period.

| Proportion of issue to an individual | End of escrow period |
|---|---|
| One half | 36 months after issue date of options |
| One sixth | 42 months after issue date of options |
| One sixth | 48 months after issue date of options |
| One sixth | 54 months after issue date of options |

The initial exercise price of the options of $0.095 was determined by the board.

No performance hurdles have been met for options issued under this Plan.

**Nomad Managing Director Long-term Incentive Plan 2012**

Options were issued under the Nomad Long-term Executive Incentive Plan 2012, which was approved by the Board on 25 September 2012.

| Grant date | Date vested and exercisable* | Expiry date | Exercise price ($) | Value per option at issue date ($) |
|---|---|---|---|---|
| 12 December 2012 | 33.3% on 30/06/13 | 12 December 2017 | 0.095 | 0.0152 |
| | 33.3% on 30/06/14 | 12 December 2017 | 0.095 | 0.0152 |
| | 33.4% on 30/06/15 | 12 December 2017 | 0.095 | 0.0152 |

The options vest as to one third each year for three years following issue. The exercising of vested options is based on two independent measures, with each measure providing up to 50% of the available options. Vested options can only be exercised if the performance benchmarks are met. The targets are Nomad Building Solutions Limited's performance against two benchmarks, namely:

(a) earnings per share targets for the first, second and third years; and
(b) total shareholder return exceeding the return of the mid-ranked company in the SAP / ASX Small Ordinaries Index (ASX Small Ords A1:).

If a performance hurdle in the form of an option exercise criterion is not met in whole or part on a test date, the options may be exercised at a later Test Date, the option exercise criterion is satisfied on a cumulative basis.

REMUNERATION REPORT (Continued)

Once vested, the options remain exercisable for a period of 5 years from the issue date. When exercisable, each option is convertible into one ordinary share.

All shares issued upon exercise of options will be held in escrow until the end of an escrow period.

| Proportion of issue to an individual | End of escrow period |
|---|---|
| One half | 36 months after issue date of options |
| One sixth | 42 months after issue date of options |
| One sixth | 48 months after issue date of options |
| One sixth | 54 months after issue date of options |

The initial exercise price of the options of $0.095 was determined by the board.

Following the redundancy of Peter Hogan on 30 November 2013, options issued under this plan have been cancelled.

**Options issued during the year**

Details of options over ordinary shares in the Company provided as remuneration to each director of Nomad Building Solutions Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Nomad Building Solutions Limited. Further information on the options is set out in note 34 to the financial statements.

| Name | Number of options issued during the year | | Number of options vested and exercisable during the year | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | **2013** |
| **Directors of Nomad Building Solutions Limited** | | | | |
| A J Sturcke | **-** | 850,000 | | |
| P J Hogan | **-** | 5,000,000 | **-** | - |
| **Other key management personnel of the Group** | | | | |
| E P Davies | **-** | 850,000 | **-** | - |
| B R McDonald | **-** | 850,000 | **-** | - |

The assessed fair value at issue date of options issued to the individuals is allocated equally over the period from issue date to vesting dates and the amount is included in the remuneration tables above. For options issued under the Nomad Executive long-term Incentive Plan 2011, a combination of Monte Carlo simulation (for the TSR criteria) and a trinomial lattice was used to value the Total Shareholder Return target options, with regression analysis being used for the NPAT hurdles. Options issued prior to these plans were valued using a binomial option pricing model for options issued up to February 2009, and the enhanced trinomial approach for subsequent issues. All valuations take into account the exercise price, the term of the option, the impact of dilution, the share price at issue date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option as appropriate. All valuations are independent valuations.

**Vesting and Exercise Conditions**

Nomad Executive Long-term Incentive Plan 2011

Vesting is in three tranches weighted at 10% for the first year, 20% for the second year and 70% in the third year. Exercise of options is based on Nomad Building Solutions Limited's net profit after tax and total shareholder return ranked against the ASX300 Accumulation Index. Options not exercisable in one year may be exercised at a subsequent vesting date if hurdles are met on a cumulative basis.

Nomad Executive Long-term Incentive Plan 2012

Vesting is in three tranches weighted at 33.3% for the first year, 33.3% for the second year and 33.4% in the third year. Exercise of options is based on Nomad Building Solutions Limited's net profit after tax and total shareholder return ranked against the SAP/ASX Small Ordinaries (ASX Small Ords A1:). Options not exercisable in one year may be exercised at a subsequent vesting date if hurdles are met on a cumulative basis.

Managing Director Long-term Incentive Plan 2012

Vesting is in three tranches weighted at 33.3% for the first year, 33.3% for the second year and 33.4% in the third year. Exercise of options is based on Nomad Building Solutions Limited's net profit after tax and total shareholder return ranked against the SAP/ASX Small Ordinaries (ASX Small Ords A1:). Options not exercisable in one year may be exercised at a subsequent vesting date if hurdles are met on a cumulative basis.

**E. Additional information**

**Performance of Nomad Building Solutions Limited**

The Company has not declared any dividends for the 2014 financial year.

The following table illustrates the operation of the long-term incentive plan by comparing Nomad Building Solutions Limited total shareholder return to the ASX300AI since listing.

| | Total share holder return | |
|---|---|---|
| | **Nomad** | **ASX300 AI** |
| Year ended 30 June 2014 | (15.1%) | 12.2% |
| Year ended 30 June 2013 | (36.9%) | 16.5% |
| Year ended 30 June 2012 | (9.7%) | (7.0%) |
| Year ended 30 June 2011 | (11.4%) | 16.1% |
| Year ended 30 June 2010 | (51.8%) | (10.5%) |
| Year ended 30 June 2009 | (64.6%) | (20.3%) |
| Year ended 30 June 2008 | (31.6%) | (13.7%) |
| Date of listing 31 October 2006 to 30 June 2007 | 172.5% | (19.9%) |

Notes:
1. Based on issue price of $1 per share on listing on 30 October 2006.
2. The Company's return is inclusive of dividends paid.

Details of remuneration: cash bonuses and options included in the tables on pages 21 and 23, details bonus or grant that was paid in the financial year. The table below details the percentage that was forfeited because the person did not meet the service and performance criteria. Bonuses earned are payable 30 September 2014. The various option plans vest over three years, provided the relevant vesting conditions are met as outlined above.

| | Cash Bonus | | Options | | | | |
|---|---|---|---|---|---|---|---|
| **Name** | **Paid %** | **Forfeited %** | **Year Issued** | **Vested %** | **Forfeited %** | **Financial years in which options may vest** | **Max Value yet to vest** |
| P J Hogan | - | 100% | 2012 | - | 100% | 30/06/13 To 30/06/15 | Nil |
| A J Sturcke | 100% | - | 2011<br>2012 | 100%<br>67% | -<br>- | 30/06/12 To 30/06/15 | 4,198 |
| E P Davies | 100% | - | 2011<br>2012 | 100%<br>67% | -<br>- | 30/06/12 To 30/06/15 | 4,198 |
| R Gibson | 40% | 60% | - | - | - | - | - |

"n/a" means the executive was not eligible for a cash bonus in 2014.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

**Share-based compensation: Options**

Further details relating to options are set out below.

| Name | A<br>Remuneration consisting of options | B<br>Value at grant date<br>$ | C<br>2014 Value at exercise date<br>$ | D<br>Value at lapse date<br>$ |
|---|---|---|---|---|
| P J Hogan | - | - | | - |
| A J Sturcke | 4% | - | - | - |
| E P Davies | 3% | - | - | - |

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at issue date calculated in accordance with AASB 2 *Share-based Payment* of options issued during the year as part of remuneration.

C = The value at exercise date of options that were issued as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were issued as part of the remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

At the last AGM, 35% of the votes cast at that meeting rejected the adoption of the remuneration report. The company has taken the following actions:

- Reduced the Chairman's fees from $129,000 pa to $90,000 pa on 01 July 2013, and then reduced the fees down again on 01 December 2013 to $70,000 pa; and
- Reduced the directors fees from $67,500 pa to $50,000 pa on 01 July 2013; and
- Reduced the number of directors from 4 to 3; and
- Restructured the corporate finance function and made the position of Managing Director and Chief Financial officer, with a large saving in executive pay for the group.

**Loans to directors and executives**

There were no loans to directors and executives for financial years 2014 and 2013.

**Shares under option**

Unissued ordinary shares of Nomad Building Solutions Limited under option at the date of this report are as follows:

| Date options granted | Expiry date | Issue price of shares | Number under option |
|---|---|---|---|
| 30 June 2011 | 30 June 2016 | $0.1300 | 2,300,000 |
| 12 December 2012 | 12 December 2017 | $0.0950 | 1,700,000 |
| | | | 4,000,000 |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

**Shares issued on the exercise of options**

No ordinary shares of Nomad Building Solutions Limited were issued during the year ended 30 June 2014 (2013: nil) on the exercise of options issued under the Nomad Building Solutions Limited Long-term Incentive Plans. No shares have been issued since that date.

**Insurance of directors and officers**

During the financial year, Nomad Building Solutions Limited paid a premium of $64,514 to insure the directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

# Directors' Report (continued)

REMUNERATION REPORT (Continued)

**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 the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

**Non-audit services**

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

The Board has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or are payable for services provided by the auditor of the parent entity:

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| | **$** | **$** |
| BDO Audit (WA) Pty Ltd | | |
| **Audit Services** | | |
| Audit and review of financial reports | **113,736** | **167,000** |
| Tax services (from a BDO Audit (WA) Pty Ltd related entity) | **31,726** | **56,487** |
| | **145,462** | **223,487** |

**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 32.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**Auditor**

BDO Audit (WA) Pty Ltd continues in office, in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.

Andrew Sturcke
Managing Director
Perth
28 August 2014

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PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF NOMAD BUILDING SOLUTIONS LIMITED

As lead auditor of Nomad Building Solutions Limited for the year ended 30 June 2014, 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 Nomad Building Solutions Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 28 August 2014

# Financial Statements

## Contents



These financial statements cover Nomad Building Solutions Limited ("Company") and its subsidiaries ("Group"). The financial statements are presented in the Australian currency.

Nomad Building Solutions Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Nomad Building Solutions Limited
Unit 1, 226 Balcatta Rd
Balcatta WA 6021

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report on page 2.

The financial statements were authorised for issue by the directors on 27 August 2014. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, the Company has ensured that its corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial statements and other information are available on the Company's website: www.nomadbuildingsolutions.com.au

For queries in relation to the Company's reporting please call the Company Secretary on +61 8 9303 3798.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income
# For the year ended 30 June 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Revenue from continuing operations** | 4 | **37,940** | 51,688 |
| Other income / (loss) | 5 | **(58)** | 587 |
| Raw materials, consumables and contract labour | | **(28,170)** | (33,180) |
| Employee benefits expense | 6 | **(4,746)** | (6,023) |
| Depreciation and amortisation expense | 6 | **(1,040)** | (2,128) |
| Borrowing cost expense | 6 | **(66)** | (357) |
| Operating lease costs | 6 | **(1,451)** | (1,993) |
| Corporate and administration expenses | 6 | **(1,691)** | (2,170) |
| Other expenses | | **(893)** | (1,330) |
| **(Loss) / Profit before income tax** | | **(175)** | 5,094 |
| Income tax (expense) | 7 | **-** | (10,379) |
| **Net (loss) after income tax from continuing operations** | | **(175)** | (5,285) |
| (Loss) from discontinued operations net of income tax | 23 | **(6,712)** | (8,420) |
| **Total comprehensive (loss) for the year attributable to members of Nomad Building Solutions Limited** | | **(6,887)** | (13,705) |
| **Loss Per Share attributable to the members of Nomad Building Solutions Limited** | | | |
| Basic loss per share | 33 | **(2.5)** | (4.9) |
| Diluted loss per share | 33 | **(2.5)** | (4.9) |
| Continuing Operations | | | |
| Basic loss per share | 33 | **(0.06)** | (1.9) |
| Diluted loss per share | 33 | **(0.06)** | (1.8) |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

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

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | **6,544** | 4,930 |
| Cash held in trust | 8 | **1,760** | 6,394 |
| Trade and other receivables | 9 | **2,741** | 12,260 |
| Inventories | 10 | **2,554** | 12,580 |
| Assets held as available for sale | 11 | **1,800** | 3,553 |
| Total current assets | | **15,399** | 39,717 |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **3,519** | 4,507 |
| Investment property | 13 | **2,541** | - |
| Leasehold development costs | 14 | **3,169** | 2,611 |
| Deferred tax assets | 15 | **20** | 72 |
| Intangible assets | 16 | **16,416** | 16,416 |
| Total non-current assets | | **25,665** | 23,606 |
| **Total assets** | | **41,064** | 63,323 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **4,626** | 19,190 |
| Deferred Income | 10 | **1,874** | 2,618 |
| Provisions | 18 | **4,189** | 4,181 |
| Total current liabilities | | **10,689** | 25,989 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 19 | **20** | 72 |
| Provisions | 20 | **-** | 28 |
| Total non-current liabilities | | **20** | 100 |
| **Total liabilities** | | **10,709** | 26,089 |
| **Net assets** | | **30,355** | 37,234 |
| **EQUITY** | | | |
| Contributed equity | 21 | **107,773** | 107,773 |
| Reserves | 22 | **106** | 98 |
| (Accumulated losses) | 22 | **(77,524)** | (70,637) |
| **Total equity** | | **30,355** | 37,234 |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

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

| | Note | Contributed Equity $'000 | Option Reserve $'000 | (Accumulated Losses) $'000 | Total $'000 |
|---|---|---|---|---|---|
| Balance at 1 July 2012 | | 107,773 | 49 | (56,931) | 50,891 |
| Total comprehensive loss for year ended 30 June 2013 | | - | - | (13,705) | (13,705) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs | 21 | - | - | - | - |
| Employee share options | 22 | - | 49 | - | 49 |
| **Balance as at 30 June 2013** | | 107,773 | 98 | (70,637) | 37,234 |
| Total comprehensive loss for year ended 30 June 2014 | | **-** | **-** | **(6,887)** | **(6,887)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs | 21 | **-** | **-** | **-** | **-** |
| Employee share options | 22 | **-** | **8** | **-** | **8** |
| **Balance as at 30 June 2014** | | **107,773** | **106** | **(77,524)** | **30,355** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows
# For the year ended 30 June 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | **62,141** | 101,935 |
| Payments to suppliers and employees (inclusive of GST) | | **(65,644)** | (91,115) |
| Cash generated from operations | | **(3,503)** | 10,820 |
| Interest paid | | **(66)** | (357) |
| Income taxes received | | **-** | 496 |
| **Net cash inflow from operating activities** | 32 | **(3,569)** | 10,959 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 12 & 13 | **(224)** | (4,469) |
| Proceeds from sale of property, plant and equipment | | **587** | 1,850 |
| Transfer from / (to) Cash Held in Trust | | **4,634** | (6,394) |
| Interest received | | **186** | 165 |
| **Net cash (outflow) from investing activities** | | **5,183** | (8,848) |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | **-** | (6,900) |
| Repayment of hire purchase and lease payments | | **-** | (461) |
| **Net cash (outflow) from financing activities** | | **-** | (7,361) |
| **Net increase / (decrease) in cash and cash equivalents** | | **1,614** | (5,250) |
| Cash and cash equivalents at the beginning of the financial year | | **4,930** | 10,180 |
| **Cash and cash equivalents at the end of the financial year** | 8 | **6,544** | 4,930 |
| **Non-cash financing and investing activities** | | - | - |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include financial statements for the Group consisting of Nomad Building Solutions Limited and its subsidiaries and a separate summary of financial statements for Nomad Building Solutions Limited as an individual entity in note 36.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Nomad Building Solutions Limited is a for-profit entity for the purpose of preparing the financial statements. The Board of Directors approved the financial statements for issue on 28 August 2014.

*Compliance with IFRS*

The financial statements of Nomad Building Solutions Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*Historical cost convention*

These financial statements have been prepared under the historical cost convention.

*Critical accounting estimates and significant judgements*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### (b) Principles of consolidation

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Nomad Building Solutions Limited ("parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Nomad Building Solutions Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities (including structured entities) over which the 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.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group 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.

### (c) 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.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue is recognised for major business activities as follows:

(i) *Sale of goods*

Accounting Standard AASB 111 Construction Contracts – the Group uses the 'percentage of completion' method , which states "When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date". The Group uses costs incurred as the measure of percentage of completion.

(ii) Rendering of services

Services revenue is recognised at the fair value of the consideration received or receivable. It is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

(iii) *Interest income*

Interest income is recognised on a time proportional basis using the effective interest method.

**(e) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

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, the deferred income tax is 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 statement of financial position 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 differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

*Tax consolidation legislation*

Nomad Building Solutions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity Nomad Building Solutions 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 standalone taxpayer in its own right.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

**(f) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and 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 statement of profit or loss and other comprehensive income 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 are depreciated over the asset's useful life.

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 27). Payments made under operating leases (net of any incentives received from the

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

**(g) Business combinations**

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that is required to be replaced in a business combination. The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the Group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with note 1(l).

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

The value of customer contracts and customer relationships at the date of acquisition are recognised as assets. The fair value attributed to these assets includes adjustments for associated cost contingencies including contract, client and capital risks.

**(h) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for each where there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**(i) Cash and cash equivalents**

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days from date of invoice.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

**(k) Inventories**

(i) *Raw materials and stores and finished goods*

Raw materials and stores, 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 on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. 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 of completion and the estimated costs necessary to make the sale.

(ii) *Construction work in progress*

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits, the net amounts are presented under other liabilities. Expected losses to complete a contract in progress are recognised immediately.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's construction activities in general.

**(l) Investments and other financial assets**

**Classification**

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

**Recognition and derecognition**

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**Subsequent measurement**

Loans and receivables are carried at amortised cost using the effective interest method.
Details on how the fair value of financial instruments is determined are disclosed in note 2.

**Impairment**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(m) Non-Current Assets Classified as Held for Sale**

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised. Interest expense continues to be recognised on liabilities of a disposal group classified as held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset but not exceeding any cumulative impairment losses previously recognised.

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

**(n) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation. 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line or diminutive value method to allocate their cost amounts, net of their residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| ▪ Hire buildings | 8 years |
| ▪ Plant and equipment | 5 – 10 years |
| ▪ Vehicles | 4 – 8 years |
| ▪ Furniture, fittings and equipment | 3 – 10 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 (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

**(o) Investment property**

Investment properties held for rental are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less impairment.

Property under construction held for future use as investment property is also carried at cost.

Depreciation on investment property is calculated using the straight line method to allocate their cost amounts, net of their residual values, over their estimated useful lives of 8 years.

**(p) Leasehold Development Costs**

Leasehold development costs are being held for future use as an investment property.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Intangible assets**

Intangible assets acquired in a business combination are initially measured at cost, which are their fair value at acquisition date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(r) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

**(s) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**(t) Borrowing costs**

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

**(u) Provisions**

Provisions for legal claims, service warranties and onerous contracts are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 statement of financial position date. The discount rate used to determine the present value 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.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Employee benefits**

(i) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date 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. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) *Long-term employee benefit obligations*

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

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

(iii) *Retirement benefits*

Contributions paid or payable by the Group to employee superannuation funds are charged as an expense when incurred.

(iv) *Share-based payments*

Share-based compensation benefits are available to be provided to employees via the Nomad Long-term Incentive Plans. Information relating to the Plans is set out in note 34.

The fair value of options granted under the Nomad Long-term Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a combination of Monte Carlo simulation (for the TSR criteria) and a trinomial lattice was used to value the Total Shareholder Return target options, with regression analysis being used for the NPAT hurdles. All methods take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option as appropriate.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

(v) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(w) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

**(x) 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 financial year but not distributed at reporting date.

**(y) Earnings per share**

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(z) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

**(aa) Rounding the amounts**

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(ab) New accounting standards and interpretations**

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective have not been adopted by the Group for the financial year ended 30 June 2014. The Group's assessment of the impact of these new standards and interpretations is set out below.

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| AASB Amendment | Affected Standard(s) | Nature of Change to Accounting Policy | Application Date of Standard* | Application Date for Group |
|---|---|---|---|---|
| AASB 9 | Financial Instruments | Changes to classification and measurement requirements of financial instruments. | 1 Jan 17 | 1 July 17 |
| AASB 2013-9 (issued December 2013) | Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments | AASB 2013-9 makes three amendments to AASB 9 | 1 Jan 15 | 1 July 17 |
| AASB 2013-3 | Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets | Clarifies disclosure requirements for goodwill and intangibles | 1 Jan 14 | 1 July 14 |
| IFRS 2 | Share-based Payment | Changes definition of vesting condition | 1 July 14 | 1 July 14 |
| IFRS 3 | Business Combinations | Clarifies Accounting for contingent consideration in a business combination | 1 July 14 | 1 July 14 |
| IFRS 8 | Operating Segments | Clarifies aggregation of operating segments and reconciliation of the reportable segment's assets to the entity's assets | 1 July 14 | 1 July 14 |
| IAS 16 | Property, Plant and Equipment | Clarifies the computation of accumulated depreciation when items of property, plant and equipment are subsequently measured using the revaluation model. | 1 July 14 | 1 July 14 |
| IAS 24 | Related Party Disclosures | Changes key management personnel disclosures | 1 July 14 | 1 July 14 |
| IAS 38 | Intangible Assets | Clarifies the computation of accumulated amortisation when intangible assets are subsequently measured using the revaluation model. | 1 July 14 | 1 July 14 |
| IFRS 13 | Fair Value Measurement | Changes the scope of contracts that qualify for the portfolio exception. | 1 July 14 | 1 July 14 |

**(ac) Parent entity financial information**

The financial information for the parent entity, Nomad Building Solutions Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries, associates and joint venture entities*
Investments in subsidiaries, associates and joint venture entities are accounted for at cost less impairment in the financial statements of Nomad Building Solutions Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) *Tax consolidation legislation*
Nomad Building Solutions Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity 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, Nomad Building Solutions 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 Nomad Building Solutions Limited for any current tax payable assumed and are compensated by Nomad Building Solutions Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Nomad Building Solutions 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 parent entity, which is issued as soon as practicable after the end of each financial year. The parent entity 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 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.

(iii) *Financial guarantees*
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) *Share-based payments*
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

## NOTE 2 : FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

**Financial Risk Management**
The Group's management of financial risk is aimed at ensuring net cash flows and facilities are sufficient to:

- meet the Group's financial commitments as and when they fall due; and
- maintain capacity to fund the growth of the Group.

The Group's overall risk management program focuses on the unpredictability of financial markets while seeking to assist the Group in meeting its financial targets and minimising potential adverse effects on the financial performance of the Group.

The Managing Director / Chief Financial Officer and other senior operating and financial executives prepare financial and cash forecasts which are analysed in context of the most recent economic conditions and forecasts. Risk exposure is assessed and risk management strategies including credit risk policies, cash flow requirements and finance facility management are developed with the Board of Directors.

The areas of key financial risk for the business are effectively the same as in prior periods and therefore continue to be managed as per prior periods.

The Group holds the following financial instruments:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Financial assets** | | |
| Cash and cash equivalents | **6,544** | 4,930 |
| Cash held in trust | **1,760** | 6,394 |
| Trade and other receivables | **2,741** | 12,260 |
| | **11,045** | 23,584 |
| **Financial liabilities at amortised cost** | | |
| Trade and other payables | **4,626** | 19,190 |
| | **4,626** | 19,190 |

**NOTE 2 : FINANCIAL RISK MANAGEMENT (continued)**

**(a) Market risk**
(i) *Price risk*
The Group is not exposed to any price risk in relation to its financial assets or liabilities.

(ii) *Cash flow and Interest Rate Risk*
The Group is exposed to changes in interest rates from cash deposits. The group does not have any borrowings, on which it would be exposed to interest rate risk.

As the Group has no interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not exposed significantly to changes in market interest rates.

**(b) Credit risk**
Credit risk refers to the risk that a contracting party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy that requires a detailed financial assessment of contracting parties to ensure that sales of products are made to customers with an appropriate credit standing and history.

Credit transactions are limited to high credit quality financial institutions.

**(c) Liquidity risk**

The Group has access to a $5,000,000 bank guarantee facility with its new bankers Bank of Queensland (BOQ). The facility can be drawn down on condition that the drawn down facility is backed with funds held in trust.

**Financing arrangements**
The Group had access to the following undrawn borrowing facilities at the reporting date:

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| **Floating rate** | | |
| Bank loans and overdraft expiring within 1 year | **-** | - |
| Bank loans and overdraft expiring beyond 1 year | **-** | - |
| **Other** | | |
| Contingent Instrument facility | **3,229** | 325 |
| Total | **3,229** | 325 |

**NOTE 2 : FINANCIAL RISK MANAGEMENT (continued)**

**(c) Liquidity risk (continued)**

**Maturities of financial liabilities**
The Group signed anew banking facility with BOQ in January 2014. The agreement includes a contingent instrument facility of $5m. The facility does not include any debt or overdraft facility.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| At 30 June 2014 | Less than 6 months $'000 | 6 – 12 months $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Total contractual cash flows $'000 | Carrying amount (assets)/ liabilities $'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade and other payables | **4,626** | **-** | **-** | **-** | **4,626** | **4,626** |
| Borrowings (exclude hire purchase liability) | **-** | | **-** | **-** | **-** | **-** |
| Hire Purchase | **-** | **-** | **-** | **-** | **-** | **-** |
| | **4,626** | **-** | **-** | **-** | **4,626** | **4,626** |
| **At 30 June 2013** | | | | | | |
| **Non-derivatives** | | | | | | |
| Trade and other payables | 19,190 | - | - | - | 19,190 | 19,190 |
| Borrowings (exclude hire purchase liability) | - | - | - | - | - | - |
| Hire Purchase | - | - | - | - | - | - |
| | 19,190 | - | - | - | 19,190 | 19,190 |

**(d) Fair value estimation**
The fair value of financial assets and financial liabilities approximates their carrying value.

## NOTE 2 : FINANCIAL RISK MANAGEMENT (continued)

### (e) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk:

| | | - 50 bps | | + 50 bps | |
|---|---|---|---|---|---|
| | Carrying amount $'000 | Profit $'000 | Equity $'000 | Profit $'000 | Equity $'000 |
| **2014** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | **6,544** | **(33)** | **(33)** | **33** | **33** |
| Cash held in trust | **1,760** | **(9)** | **(9)** | **9** | **9** |
| **Financial liabilities** | | | | | |
| Borrowings | **-** | **-** | **-** | **-** | **-** |
| | | **(42)** | **(42)** | **42** | **42** |
| **2013** | | | | | |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 4,930 | (25) | (25) | 25 | 25 |
| Cash held in trust | 6,394 | (32) | (32) | 32 | 32 |
| **Financial liabilities** | | | | | |
| Borrowings | - | - | - | - | - |
| | | (57) | (57) | 57 | 57 |

A 50 basis point movement in interest rates has been used as this is considered by management to be the likely range of change in interest rates in the next 12 months.

## NOTE 3 : CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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

(i) *Estimated impairment of goodwill and property, plant and equipment*
Goodwill is recognised as part of business combinations. Business unit performance has stabilised and therefore there is no impairment in the financial year. An impairment test has been performed which involves the use of assumptions and estimates (see note 16). If there are any significant changes in the assumptions or estimates for the business which still carry goodwill it may have a material impact on the carrying value.

(ii) *Revenue Recognition*
In accordance with the accounting policy detailed in note 1(d)(i), the Group recognises revenue for the major business activities using the percentage completion method as outlined in AASB 111 – Construction Contracts. This involves reporting revenue, expenses and the profit attributable based on reliable estimates of the outcome of the construction contract.

Were the actual final outcome to differ by 10% from management's estimates on all works in progress at year end, the Group would need to:
- decrease profit before tax by $168,000, if unfavourable;
- increase profit before tax by $161,000, if favourable.

## NOTE 3 : CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

**Critical accounting estimates and assumptions (continued)**

(iii) *Life of Assets*

In accordance with the accounting policy detailed in note 1(n), the Group has determined the useful life of categories of business assets.

Were the estimated life of hire buildings to:
- increase by a year then profit before tax would increase by $92,000;
- decrease by a year then profit before tax would decrease by $120,000.

*(iv)* *Recovery of Deferred Tax Assets*

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(v) *Provision for litigation*

Where the Group is involved with outstanding litigation, provision is raised where claims against the Group are able to be measured, at the best estimate of the expenditure required to settle the obligation at the reporting date. Where claims are not able to be reliably measured, disclosure is made by way of a contingent liability note - refer note 26.

(vi) *Onerous Lease*

The group has recognised an onerous lease provision on its Wacol lease, which takes into account the contractual obligations under the head lease and the sub lease. In calculating the onerous lease provision, management has assumed that the sub-lease income will continue throughout the life of the head lease. Any delays in finding a tenant for the lease (beyond the existing sub lease – see note 18 for description), would result in an adverse impact on profit and loss in future years.

## NOTE 4 : REVENUE

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **From continuing operations** | | |
| *Sales revenue* | | |
| Construction contract revenue | **36,721** | 31,751 |
| Revenue from the sale of goods | **-** | 13,383 |
| Revenue from the rendering of services including the hire of buildings | **1,051** | 6,408 |
| *Other revenue* | | |
| Interest | **167** | 146 |
| | **37,940** | 51,688 |

## NOTE 5 : OTHER INCOME / (LOSS)

| | | |
|---|---|---|
| Net (loss) on disposal of property, plant and equipment | **(206)** | (40) |
| Other | **148** | 627 |
| | **(58)** | 587 |

Notes to the Consolidated Financial Statements

## NOTE 6 : EXPENSES

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **(Loss) / Profit before income tax includes the following specific expenses:** | | |
| *Depreciation* | | |
| Hire assets | **53** | 1,063 |
| Land and buildings | **35** | 18 |
| Plant and equipment | **204** | 246 |
| Investment property | **748** | 801 |
| Total depreciation | **1,040** | 2,128 |
| *Finance costs* | | |
| Interest and finance charges paid/payable | **66** | 357 |
| Finance costs expensed | **66** | 357 |
| *Rental expense relating to operating leases* | | |
| Minimum lease payments | **1,451** | 1,993 |
| Total rental expense relating to operating leases | **1,451** | 1,993 |
| *Employee benefits expense* | | |
| Salary and wages | **3,779** | 4,651 |
| Superannuation expense | **327** | 418 |
| Share-based payments | **8** | 49 |
| Other employee expense | **632** | 905 |
| Total employee benefits expense | **4,746** | 6,023 |
| *Corporate and Administration expenses* | | |
| Corporate and administration expenses | **1,691** | 2,170 |
| Total corporate and administration expense | **1,691** | 2,170 |
| Impairment expenses | | |
| *Trade Receivables (Note 9)* | **101** | - |
| *Total Impairment expenses* | **101** | **-** |
| ***Discontinued expenses*** | | |
| Impairment expenses | | |
| Impairment of Goodwill Expenses (Note 16) | **-** | 5,000 |
| Impairment of Trade Receivables (Note 9) | | 255 |
| Impairment of Assets available for Sale (Note 11) | **557** | - |
| Total Impairment expenses | **557** | **5,255** |
| Onerous Lease Expense | | |
| Impairment of onerous lease (Note 18) | **1,767** | - |
| Total Onerous Lease expense | **1,767** | - |

## NOTE 7 : INCOME TAX EXPENSE

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **(a) Income tax (revenue) / expense** | | |
| Current tax | **-** | (496) |
| Deferred tax | **-** | 10,490 |
| Adjustments for current tax of prior periods | **-** | - |
| | **-** | 9,994 |
| Income tax expense is attributable to: | | |
| Profit from continuing operations | **-** | 10,379 |
| (Loss) from discontinued operation | **-** | (385) |
| Aggregate income tax (revenue) / expense | **-** | 9,994 |
| Deferred income tax (revenue) expense included in income tax expense comprises: | | |
| Decrease/(increase) in deferred tax assets (note 15) | **52** | 10,579 |
| (Decrease)/increase in deferred tax liabilities (note 19) | **(52)** | (89) |
| | **-** | 10,490 |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| (Loss) / Profit from continuing operations before income tax expense (loss) | **(175)** | 5,094 |
| (Loss) from discontinued operations before income tax expense (loss) | **(6,712)** | (8,802) |
| | **(6,887)** | (3,708) |
| Tax at the Australian tax rate of 30% (2013 – 30%) | **(2,066)** | (1,113) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Impairment charge | **-** | 1,500 |
| Share based payments | **5** | 15 |
| Entertainment | **5** | 8 |
| Other | **-** | 482 |
| Deferred tax asset no longer recognised | **2,056** | 9,598 |
| Income tax expense (benefit) | **-** | 10,490 |
| Adjustments for current tax for prior periods | **-** | (496) |
| Income tax (revenue) / expense | **-** | 9,994 |

Notes to the Consolidated Financial Statements

## NOTE 8 : CURRENT ASSETS – CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Cash at bank and in hand | **6,544** | 4,930 |
| Cash held in trust | **1,760** | 6,394 |
| | **8,304** | 11,324 |

**(a) Reconciliation to cash at the end of the year**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Balances as above | **6,544** | 4,930 |
| Balances per statement of cash flows | **6,544** | 4,930 |

**(b) Interest rate risk exposure**
The bank accounts are bearing floating interest rates currently ranging between 1.61% and 2.45% (2013: between 1.77% and 2.7%). The Group's exposure to interest rate risk is discussed in note 2.

## NOTE 9 : CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Trade receivables | **2,805** | 11,711 |
| Allowance for impairment of receivables (note(a) below) | **(311)** | (255) |
| Other receivables | **31** | 164 |
| Prepayments | **216** | 640 |
| | **2,741** | 12,260 |

At 30 June 2014 trade receivables include retentions of $311,000 (2013: $365,000) relating to construction contracts in progress.

**(a) Impaired trade receivables**

As at 30 June 2014 current trade receivables of the Group with a nominal value of $101,000 (2013 - $255,000) were impaired. The amount of the allowance was $311,000 (2013 - $255,000). The individually impaired receivables relate to retentions withheld for construction contracts. It is uncertain what level of the allowance may be recovered.

The ageing of these receivables is as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Up to 3 months | **-** | - |
| 3 to 6 months | **-** | - |
| Over 6 months | **311** | 255 |
| | **311** | 255 |

Movements in the allowance for impairment of receivables are as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| At 1 July | **255** | 4 |
| Impairment recognised during the year | **(45)** | (4) |
| Receivables written off during the year as uncollectable | **101** | 255 |
| | **311** | 255 |

## NOTE 9 : CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Impaired trade receivables (continued)

The creation and release of the allowance for impaired receivables has been included in 'other expenses' in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

### (b) Past due but not impaired

As of 30 June 2014, trade receivables of $1,469,000 (2013 - $3,126,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Up to 3 months | **1,319** | 2,424 |
| 3 to 6 months | **150** | 702 |
| | **1,469** | 3,126 |

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

The past due debtors as at 30 June 2014 are partly related to contracts related to private residential buyers waiting for final inspection of their properties and handover on site.

### (c) Other receivables

These amounts relate to GST receivable, FBT receivable and other transactions outside the usual operating activities of the Group.

### (d) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

### (e) Fair value

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

## NOTE 10 : CURRENT ASSETS – INVENTORIES

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Work-in-progress | **2,457** | 12,339 |
| Raw materials and stores – at cost | **97** | 241 |
| | **2,554** | 12,580 |

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to nil (2013: $85,000).

At 30 June 2014 aggregate costs incurred under open construction contracts and recognised profit, net of recognised losses, amounted to $7,369,000 (2013: $37,680,000). Progress billings and advances received from customers under open construction contracts amounted to $9,098,000 (2013: $33,452,000). Advances for which related work has not started, and billings in excess of costs incurred and recognised profits are presented as deferred income and amounted to $1,874,000 at 30 June 2014 (2013: $2,618,000).

## NOTE 11 : ASSETS CLASSIFIED AS AVAILABLE FOR SALE

| Assets classified as held for sale | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening Balance at 1 July | **3,553** | - |
| Transfer to investment property | **(3,553)** | - |
| Additions | **2,357** | 3,553 |
| Impairment (Note 6) | **(557)** | - |
| | **1,800** | 3,553 |

The 56 person transient accommodation facility based in Karratha, WA has been reclassified as an Investment Property as at 30 June 2014.
The assets of $1.8 million are five houses in Derby that were previously under construction in FY2013. These houses have been valued at the lower of their carrying value and fair value less costs to sell. The fair value of these assets has been determined using a level 3 fair value measurement, using a valuation technique whereby one or more of the significant inputs are not based on observable market data. This is shown below:

| Fair Value at 30 June 2014 $'000 | Unobservable inputs | Range of inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| 1,800 | Discount Rate | 16.6% | The higher the discount rate, the lower the fair value |
| | Sales Value | $400k - $500k | The higher the sales value, the higher the fair value |
| | Sales commission | 8% | The higher the sales commission, the lower the fair value |
| | Rental Guarantee per week (over 5 yrs) | $800 | The higher the rental guarantee, the lower the fair value |
| | Sub lease rental income per week | 250 – 400 | The higher the sub lease rental income, the higher the fair value |

## NOTE 12 : NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

| Consolidated | Hire buildings | Land and buildings | Plant and equipment | Total |
|---|---|---|---|---|
| **Year ended 30 June 2013** | | | | |
| Opening net book amount | 8,193 | 166 | 2,223 | 10,582 |
| Additions | 697 | 3,618 | 153 | 4,468 |
| Disposals | (7,324) | (1,078) | (487) | (8,889) |
| Depreciation charge | (1,156) | (2) | (496) | (1,654) |
| Closing net book amount | 410 | 2,704 | 1,393 | 4,507 |
| **At 30 June 2013** | | | | |
| Cost or fair value | 1,130 | 2,753 | 3,975 | 7,858 |
| Accumulated depreciation | (720) | (49) | (2,582) | (3,351) |
| Net book amount | 410 | 2,704 | 1,393 | 4,507 |
| **Year ended 30 June 2014** | | | | |
| Opening net book amount | **410** | **2,704** | **1,393** | **4,507** |
| Additions | **11** | **8** | **175** | **194** |
| Disposals | **(275)** | **(23)** | **(487)** | **(785)** |
| Depreciation charge | **(69)** | **(77)** | **(251)** | **(397)** |
| Closing net book amount | **76** | **2,612** | **831** | **3,519** |
| **At 30 June 2014** | | | | |
| Cost or fair value | **96** | **2,718** | **1,900** | **4,714** |
| Accumulated depreciation | **(20)** | **(106)** | **(1,069)** | **(1,195)** |
| Net book amount | **76** | **2,612** | **831** | **3,519** |

## NOTE 13 : NON-CURRENT ASSETS – INVESTMENT PROPERTY

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Opening balance at 1 July | **-** | 4,357 |
| Transfer from / (to) Assets classified as held for sale (Note 11) | **3,553** | (3,553) |
| Additions | **30** | - |
| Depreciation for the year | **(1,042)** | (804) |
| Balance at end of year | **2,541** | - |

### (a) Amounts recognised in profit or loss for investment properties

The following amounts have been recognised in the statement of profit or loss and other comprehensive income in respect of investment property:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Rental income | **896** | 3,135 |
| Direct operating expenses arising from investment property that generated rental income during the year | **(1,109)** | (821) |
| | **(213)** | 2,314 |

## NOTE 14: NON-CURRENT ASSETS – LEASEHOLD DEVELOPMENT COSTS

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Opening Balance | **2,611** | 371 |
| Additions | **558** | 2,240 |
| Closing Net Book Amount | **3,169** | 2,611 |

Nomad Properties, a subsidiary of Nomad Group, has entered into an agreement with the State of Western Australia which provides Nomad with an option to enter into a lease for two lots plots of land in South Headland. These costs represent architect and design fees and site works on the two plots of land.

## NOTE 15 : NON-CURRENT ASSETS – DEFERRED TAX ASSETS

| | Consolidated 2013 $'000 | 2013 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Amounts recognised in profit or loss: | | |
| Employee benefits | **20** | 72 |
| Share issue expenses | **-** | - |
| Contract provisions | **-** | - |
| Borrowing costs | **-** | - |
| Property, plant and equipment | **-** | - |
| Carry forward losses | **-** | - |
| | **20** | 72 |
| Other: | | |
| Provisions – other | **-** | - |
| Doubtful debts | **-** | - |
| Work in Progress | **-** | - |
| Sub-total other | **-** | - |
| Total deferred tax assets | **20** | 72 |
| Deferred tax assets to be recovered within 12 months | **-** | - |
| Deferred tax assets to be recovered after more than 12 months | **20** | 72 |
| | **20** | 72 |

**NOTE 15 : NON-CURRENT ASSETS – DEFERRED TAX ASSETS (continued)**

| | Employee Benefits $'000 | Contract Provisions $'000 | Share issue expenses $'000 | Borrowing costs $'000 | Property, Plant and Equipment $'000 | Other $'000 | Carry forward losses $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Movements – Consolidated** | | | | | | | | |
| As at 1 July 2012 | 227 | 764 | 297 | 118 | 412 | 337 | 8,496 | 10,651 |
| (Charged)/ credited to the statement of profit or loss and other comprehensive income | (155) | (764) | (297) | (118) | (412) | (337) | (8,496) | (10,579) |
| Charged directly to equity | - | - | - | - | - | - | - | - |
| Acquisition of subsidiary | - | - | | - | - | - | - | - |
| At 30 June 2013 | 72 | - | - | - | - | - | - | 72 |
| (Charged)/ credited to the statement of profit or loss and other comprehensive income | **(52)** | **-** | **-** | **-** | **-** | **-** | **-** | **(52)** |
| Charged directly to equity | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Acquisition of subsidiary | **-** | **-** | | **-** | **-** | **-** | **-** | **-** |
| **At 30 June 2014** | **20** | **-** | **-** | **-** | **-** | **-** | **-** | **20** |

| **Unrecognised Deferred Tax Assets** | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Employee benefits | **149** | 93 |
| Contract Provisions | **1,006** | 764 |
| Share Issue Expenses | **161** | 297 |
| Borrowing Costs | **0** | 118 |
| Property, Plant & Equipment | **273** | 412 |
| Carried Forward Tax Losses | **10,106** | 7,914 |
| | **11,695** | 9,598 |

## NOTE 16 : NON-CURRENT ASSETS – INTANGIBLE ASSETS

| Consolidated | Goodwill $'000 | Total $'000 |
|---|---|---|
| **Year ended 30 June 2013** | | |
| Opening net book amount | 21,416 | 21,416 |
| Additions | - | - |
| Impairment charge | (5,000) | (5,000) |
| **Closing net book amount** | 16,416 | 16,416 |
| | | |
| **At 30 June 2013** | | |
| Cost or fair value | 88,857 | 88,857 |
| Accumulated amortisation and impairment | (72,441) | (72,441) |
| **Net book amount** | 16,416 | 16,416 |
| | | |
| **Year ended 30 June 2014** | | |
| Opening net book amount | **16,416** | **16,416** |
| Additions | **-** | **-** |
| Impairment charge | **-** | **-** |
| **Closing net book amount** | **16,416** | **16,416** |
| | | |
| **At 30 June 2014** | | |
| Cost or fair value | **88,857** | **88,857** |
| Accumulated amortisation and impairment | **(72,441)** | **(72,441)** |
| **Net book amount** | **16,416** | **16,416** |

## NOTE 16 : NON-CURRENT ASSETS – INTANGIBLE ASSETS (continued)

### (a) Impairment tests for goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

| **2014** | **$'000** |
|---|---|
| Transportables | **16,416** |
| Construction | **-** |
| | **16,416** |

| **2013** | **$'000** |
|---|---|
| Transportables | 16,416 |
| Construction | - |
| | 16,416 |

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections for a five year period based on financial budgets approved by management for the following year, and then extrapolating the first year using an estimated growth rate of 3.0% (2013: 3.0%) per annum for years two, three, four and five with a final terminal value adopted.

Testing for impairment of goodwill is carried out on an annual basis or more frequently if events or changes in circumstances indicate that it might be impaired.

### (b) Key assumptions used for value-in-use calculations

| | **Growth Rate %** | **Discount rate %** |
|---|---|---|
| **Year ended 30 June 2014** | | |
| Transportables | **3** | **17** |
| Construction | **-** | **-** |
| Rental | **3** | **17** |
| **Year ended 30 June 2013** | | |
| Transportables | 3 | 20 |
| Construction | 3 | 20 |
| Rental | 3 | 20 |

The growth rate is based on expectations of Australia's GDP growth rate. The discount rate is based on general construction industry rates of return adjusted for a risk premium relating to the Group's recent trading performance.

### (c) Impact of possible changes in key assumptions
The recoverable amount of the goodwill of the Transportable CGU exceeds the carrying amount of goodwill at 30 June 2014. The discount rate applied to the cash flow projections would have to be 23.8% or the actual EBITDA achieved would have to be at least 22.6% below the forecasted amount for each year before the recoverable amount of goodwill would equal the carrying amount for the Transportable CGU. Management does not consider it reasonably likely that a change in any of the key assumptions would result in the need to impair goodwill.

.

### (d) Impairment charge
As a result of the impairment testing process there was an impairment charge of nil (2013: $5,000,000) made against Goodwill in the current period. The 2013 impairment of $5,000,000 related to the Construction segment with $nil relating to the Transportables or Rental segments.

## NOTE 17 : CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

| | Consolidated 2014 $'000 | Consolidated 2013 $'000 |
|---|---|---|
| Trade payables | **1,181** | 12,313 |
| Other payables | **3,445** | 6,877 |
| | **4,626** | 19,190 |

## NOTE 18 : CURRENT LIABILITIES – PROVISIONS

| | Consolidated 2014 $'000 | Consolidated 2013 $'000 |
|---|---|---|
| Employee benefits | **535** | 470 |
| Audit fees | **70** | 111 |
| Contractual disputes | **557** | 2,472 |
| Subcontractor Superannuation | **990** | 1,065 |
| Onerous Lease | **1,767** | - |
| Other | **270** | 62 |
| | **4,189** | 4,181 |

**(a) Movement in provisions**
Movements in each class of provision during the financial year, other than employee benefits, are set out below:

| Consolidated 2014 | Audit Fees $'000 | Contractual disputes $'000 | Subcontractor Superannuation $'000 | Onerous Lease $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Current** | | | | | | |
| Carrying amount at start of year | 111 | 2,473 | 1,065 | - | 62 | 3,711 |
| Additional provisions recognised | 70 | 557 | - | 1,767 | 270 | 2,664 |
| Amounts used during the period | (111) | (2,473) | (75) | - | (62) | (2,721) |
| Carrying amount at end of the year | 70 | 557 | 990 | 1,767 | 270 | 3,654 |

The onerous lease provision relates to the premises at Wacol, Brisbane. The head lease runs until February 2019, and a sub lease is in place for a 12 month period until June 2015, with two six month options thereafter.

## NOTE 19 : NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Intangible assets | **-** | - |
| *Other* | | |
| Property, plant and equipment | **7** | 54 |
| Prepayments | **13** | 18 |
| Total deferred tax liabilities | **20** | 72 |
| Deferred tax liabilities to be settled within 12 months | **13** | 18 |
| Deferred tax liabilities to be settled after more than 12 months | **7** | 54 |
| | **20** | 72 |

| **Movement – Consolidated** | **Property, plant and equipment $'000** | **Prepayment $'000** | **Total $'000** |
|---|---|---|---|
| At 1 July 2012 | 38 | 123 | 161 |
| Debited/ (Credited) to the statement of profit or loss and other comprehensive income | 16 | (105) | (89) |
| Acquisition of subsidiary | - | - | - |
| **At 30 June 2013** | 54 | 18 | 72 |
| Debited/ (Credited) to the statement of profit or loss and other comprehensive income | **(47)** | **(5)** | **(52)** |
| Acquisition of subsidiary | **-** | **-** | **-** |
| **At 30 June 2014** | **7** | **13** | **20** |

## NOTE 20 : NON-CURRENT PROVISIONS

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Employee benefits-long service leave | **-** | 28 |

## NOTE 21 : CONTRIBUTED EQUITY

| | Notes | Consolidated and Parent entity 2014 Shares | 2013 Shares | Consolidated and Parent entity 2014 $'000 | 2013 $'000 |
|---|---|---|---|---|---|
| **(a) Share Capital** | | | | | |
| Ordinary shares | | | | | |
| Fully paid | (b), (c), (e) | **277,479,329** | 277,479,329 | **107,773** | 107,773 |

**(b) Movements in ordinary share capital**

| Date | Details | Note | Number of shares | Issue Price | $'000 |
|---|---|---|---|---|---|
| 1 July 2013 | Balance | | 277,479,329 | | 107,773 |
| | | | | | - |
| 30 June 2014 | Balance | | **277,479,329** | | **107,773** |

**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount 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.

**(d) Dividend reinvestment plan**

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares, at a discount of 2.5% to the market price, rather than by being paid in cash. The plan was amended by the Board in August 2008 so that no discount was applied to shares issued under the plan. The dividend reinvestment plan is currently suspended.

**(e) Options**

Information relating to the Nomad Long-term Incentive Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 34.

**(f) Capital risk management**

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is the 'Equity' amount as shown in the statement of financial position.

During 2014, the Group's strategy, which was unchanged from 2013, was to maintain a gearing ratio below 50%. The gearing ratios at 30 June 2014 and 30 June 2013 were 0% with no debt in the accounts.

## NOTE 22 : RESERVES AND (ACCUMULATED LOSSES)

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **(a) Reserves** | | |
| Movements in share-based payments reserve were as follows: | | |
| Balance 1 July | **98** | 49 |
| Option expense | **8** | 49 |
| Balance 30 June | **106** | 98 |
| **(b) Accumulated losses** | | |
| Movements in accumulated losses were as follows: | | |
| Balance 1 July | **(70,637)** | (56,931) |
| Net (Loss) for the year | **(6,887)** | (13,705) |
| Balance 30 June | **(77,524)** | (70,636) |

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

Share-based payments reserve

The share-based payments reserve is used to recognise the issue date fair value of options issued to employees but not exercised.

Notes to the Consolidated Financial Statements

## NOTE 23 : DISCONTINUED OPERATION

**NOMAD MODULAR BUILDING – TRANSPORTABLES BUSINESS**
(i) Description
In June 2012 the Transportables operations of Nomad Modular Building Pty Ltd were discontinued. Close out of administrative contractual requirements is expected to be finalised in the second half of the 2014 financial year.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Results of discontinued operation | | |
| Revenue | 29 | 3 |
| Expenses | 1,127 | 289 |
| Profit/(loss) before income tax expense | (1,098) | 292 |
| Income tax benefit/(expense) | | (709) |
| Net (loss) after income tax of discontinued operation | (1,098) | (417) |
| (Loss) on sale of assets | - | - |
| Income tax on gain on closure of discontinued operation | - | - |
| (Loss) from discontinued operation | (1,098) | (417) |
| **Cash flows from (used in) discontinued operations** | | |
| Net cash (used in) / from operating activities | 20 | (845) |
| Net cash from investing activities | 5 | 157 |
| Net cash (used in) financing activities | - | - |
| Net increase/(decrease) in cash generated by the division | 25 | (688) |

The carrying amounts of assets and liabilities as at 30 June 2014 were:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **ASSETS** | | |
| Cash | 44 | 19 |
| Receivables | 8 | 188 |
| Inventories | 95 | 1,608 |
| Property, plant & equipment | - | 7 |
| Deferred tax assets | - | - |
| **Total assets** | 147 | 1,822 |
| **LIABILITIES** | | |
| Payables | 122 | 909 |
| Loans from Related Parties | - | - |
| Provisions | 24 | 80 |
| **Total Liabilities** | 146 | 989 |
| **Net Assets** | 1 | 833 |

Notes to the Consolidated Financial Statements

**NOTE 23 : DISCONTINUED OPERATION (continued)**

**RAPLEY WILKINSON**

(i) Description
In June 2013 the operations of Rapley Wilkinson Pty Ltd were discontinued. Close out of administrative contractual requirements is expected to be finalised in the first half of the 2015 financial year.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Results of discontinued operation** | | |
| Revenue | **782** | 7,539 |
| Expenses | **(1,845)** | (17,871) |
| Profit/(loss) before income tax expense | **(1,063)** | (10,332) |
| Income tax benefit/(expense) | **-** | 1,466 |
| Net profit/(loss) after income tax of discontinued operation | **(1,063)** | (8,866) |
| (Loss) on sale of assets | **-** | - |
| Income tax on gain on closure of discontinued operation | **-** | - |
| Profit/(loss) from discontinued operation | **(1,063)** | (8,866) |
| | | |
| **Cash flows from (used in) discontinued operations** | | |
| Net cash (used in) / from operating activities | **(270)** | (541) |
| Net cash from / (used in) investing activities | **106** | 211 |
| Net cash (used in) financing activities | **-** | - |
| Net increase/(decrease) in cash generated by the division | **(164)** | (330) |

Notes to the Consolidated Financial Statements

**NOTE 23 : DISCONTINUED OPERATION (continued)**

The carrying amounts of assets and liabilities as at 30 June 2014 were:

| | 2014 | 2013 |
|---|---|---|
| | $'000 | $'000 |
| **ASSETS** | | |
| Cash | 6 | 170 |
| Receivables | 5 | 369 |
| Inventories | - | 5,200 |
| Property, plant & equipment | 1,815 | 109 |
| Deferred tax assets | 13 | 13 |
| **Total assets** | 1,839 | 5,861 |
| | | |
| **LIABILITIES** | | |
| Payables | 11 | 2,814 |
| Loans from Related Parties | - | - |
| Deferred tax liabilities | 13 | 13 |
| Provisions | 550 | 217 |
| **Total Liabilities** | 574 | 3,044 |
| | | |
| **Net Assets** | 1,265 | 2,817 |

**NOMAD EASTERN STATES**

(i) Description

In December 2013 the operations of Nomad Eastern States were discontinued. One project remains under warranty as at 30 June 2014, and the warranty period completes on 31 Aug 2014. Provisions are recognised in these accounts for remaining warranty costs. The main leased premises is under contract until November 2019. As at lodgement date, a sublease agreement has been put in place with a client for a period one year, with an option to renew for two six month periods. An onerous lease provision of $1.767m has been recognised in these accounts.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(ii) Financial performance and cash flow information

| | 2014 | 2013 |
|---|---|---|
| | $'000 | $'000 |
| **Results of discontinued operation** | | |
| Revenue | 5,533 | 27,505 |
| Expenses | (10,083) | (26,267) |
| Profit/(loss) before income tax expense | (4,550) | 1,238 |
| Income tax benefit/(expense) | - | (373) |
| Net profit/(loss) after income tax of discontinued operation | (4,550) | 865 |
| (Loss) on sale of assets | - | - |
| Income tax on gain on closure of discontinued operation | - | - |
| Profit/(loss) from discontinued operation | (4,550) | 865 |
| | | |
| **Cash flows from (used in) discontinued operations** | | |
| Net cash (used in) / from operating activities | (2,730) | 2,501 |
| Net cash from / (used in) investing activities | 363 | (431) |
| Net cash (used in) financing activities | - | - |
| Net increase/(decrease) in cash generated by the division | (2,367) | 2,070 |

**NOTE 23 : DISCONTINUED OPERATION (continued)**

The carrying amounts of assets and liabilities as at 30 June 2014 were:

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **ASSETS** | | |
| Cash | **2** | 2,368 |
| Receivables | **17** | 6,224 |
| Inventories | **-** | 2,987 |
| Property, plant & equipment | **462** | 1,207 |
| **Total assets** | **481** | 12,786 |
| | | |
| **LIABILITIES** | | |
| Payables | **5** | 9,117 |
| Loans from Related Parties | **-** | - |
| Provisions | **1,944** | 28 |
| **Total Liabilities** | **1,949** | 9,145 |
| | | |
| **Net Assets** | **(1,468)** | 3,641 |

**NOTE 24 : DIVIDENDS**

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| **(a) Ordinary shares**<br>No dividends were declared or paid in relation to the reporting period. | **-** | - |
| **(b) Dividends not recognised at year end**<br>Since year end the directors have not declared the payment of a final dividend (2013 – nil). The aggregate amount of the dividend expected to be paid out of retained profits at 30 June 2014, but not recognised as a liability at year end, is: | **-** | - |

**(c) Franked dividends**

The franked portions of future dividend payments will be made out of existing franking credits as applicable at the time of payment.

| | Consolidated<br>2014<br>$'000 | <br>2013<br>$'000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2013 – 30%) are: | **17,829** | 17,829 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

There is no change in the franking account balance as no dividends have been declared by the directors since year end and no income tax is payable in respect of the year ended 30 June 2014.

## NOTE 25 : REMUNERATION OF AUDITORS

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| BDO Audit (WA) Pty Ltd | | |
| **Audit services** | | |
| Audit and review of financial statements | **113,736** | 167,000 |
| Tax services (from a BDO audit (WA) Pty Ltd related entity) | **31,726** | 56,487 |
| Total remuneration for audit and other services | **145,462** | 223,487 |

## NOTE 26 : CONTINGENCIES

**Contingent liabilities**

The Group is party to a number of contracts which through the ordinary course of business are now the subject of claims by customers or suppliers. The Group has reviewed these claims and, where appropriate, made provision in the accounts for settlement of the claims. Where the Group does not believe a liability will exist it has not made a provision. If all claims were to be settled at the total claim amount then the amount not provided for is approximately $3,500,000 (2013: $3,500,000) excluding those amounts the Company consider settlement to be remote.

*Contingent instruments*

The Group had outstanding guarantees to the value of $1,771,437 (2013: $5,674,764) all of which are expected to be recovered without claim. Bank guarantees are provided in certain contracts as a percentage of the contract sum. Generally, two bank guarantees, each ranging from 2.5% to 5.0% of the contract sum are provided to:

1) guarantee the performance of contractual terms until practical completion, and
2) as security for defects liability being the 12 month period from the date of practical completion.

There is no liability that should be recognised in relation to these guarantees.

Other than the items above the Group had no contingent liabilities at 30 June 2014 (2013: nil).

## NOTE 27 : COMMITMENTS

### (a) Operating lease commitments – Group as lessee

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | **2,816** | 3,027 |
| Later than one year but not later than five years | **9,572** | 10,570 |
| Greater than five years | **378** | 2,326 |
| | **12,766** | 15,923 |
| **Representing:** | | |
| Cancellable operating leases | **-** | - |
| Non-cancellable operating leases | **12,766** | 15,923 |
| | **12,766** | 15,923 |

The Group leases various offices and warehouses under non-cancellable operating leases usually expiring within two to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

### (b) Sub-lease payments

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Future minimum lease payments expected to be received in relation to non cancellable sub-leases of operating leases | **954** | 103 |

## NOTE 28 : RELATED PARTY TRANSACTIONS

**(a) Subsidiaries**
The wholly-owned Group consists of Nomad Building Solutions Limited and its wholly owned controlled entities as detailed in note 29.

**(b) Key management personnel**
No provisions for bad debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

**1. Key management personnel compensation**

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$** | $ |
| Short-term employee benefits (salary, bonus payments and allowances) | **1,627,677** | 1,922,165 |
| Post-employment benefits | **106,132** | 145,453 |
| Share based payments | **(85,274)** | 152,656 |
| | **1,648,535** | 2,220,274 |

Detailed remuneration disclosures are provided in the Remuneration Report on pages 18 to 31.

**2. Loans to key management personnel**
There were no loans made to directors of Nomad Building Solutions Limited or any other key management personnel of the Group, including their personally related parties, during the years ended 30 June 2014 or 30 June 2013.

**3. Other Transactions with key management personnel**

Nil

**(c) Other Transactions**
Nil

## NOTE 29 : SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1:

| Name of entity | Country of Incorporation | Class of shares | Entity holding 2014 % | Entity holding 2013 % |
|---|---|---|---|---|
| Nomad Modular Building Pty Ltd | Australia | Ordinary | 100 | 100 |
| RTS Group Pty Ltd (formerly Nomad Transportables Pty Ltd) | Australia | Ordinary | 100 | 100 |
| Pivot Way Pty Ltd | Australia | Ordinary | 100 | 100 |
| Pivot Way Trust | Australia | Units | 100 | 100 |
| Nomad Eastern States Pty Ltd (formerly Halley Homes Pty Ltd) | Australia | Ordinary | 100 | 100 |
| Rapley Wilkinson Pty Ltd (formerly Sabre Nominees Pty Ltd) | Australia | Ordinary | 100 | 100 |
| Rapley Wilkinson Property Pty Ltd | Australia | Ordinary | 100 | 100 |
| Nomad Properties Pty Ltd (formerly Rapley Wilkinson No 2 Pty Ltd) | Australia | Ordinary | 100 | 100 |
| Lifestyle Living Solutions Pty Ltd | Australia | Ordinary | 100 | 100 |

All entities are directly controlled (100%) by Nomad Building Solutions Limited.

## NOTE 30 : SEGMENT REPORTING

### (a) Description of segments

Following a review within the business, Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board currently consists of three non-executive directors and one executive director, along with one alternate director for one of the non-executive directors.

The Board considers the business from a product perspective and has identified 3 reporting segments. Transportables consist of all centralised manufacturing operations. The Construction division consists of all operations where the majority of the work is in situ construction. Rental consists of assets where the primary income source is rental yield. The Group operates in one geographical area, being Australia.

### (b) Segment information provided to the Board

Segment information provided to the Board for the year ended 30 June 2014 is as follows:

| 2014 | Transportable $'000 | Construction $'000 | Rental $'000 | Total $'000 |
|---|---|---|---|---|
| **Segment Revenue** | | | | |
| Total segment revenue | 36,719 | - | 1,053 | 37,772 |
| Inter-segment revenue | - | - | - | - |
| **Segment revenue from external customers** | 36,719 | - | 1,053 | 37,772 |
| **EBITDA** | 2,543 | - | 389 | 2,932 |
| Interest revenue | 50 | - | 1 | 51 |
| Interest expense | - | - | - | - |
| Depreciation and amortisation | 213 | - | 801 | 1,014 |
| **Segment Assets and Liabilities** | | | | |
| Segment assets | 27,335 | 3,169 | 14,923 | 45,427 |
| Segment liabilities | 2,722 | - | 2,670 | 5,392 |
| Acquisitions of property, plant and equipment, intangibles and other non-current segment assets | 177 | 557 | 30 | 764 |

Notes to the Consolidated Financial Statements

**NOTE 30 : SEGMENT REPORTING (continued)**

**(b) Segment information provided to the Board (continued)**

Segment information provided to the Board for the year ended 30 June 2013 is as follows:

| 2013 | Transportable | Construction | Rental | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Segment Revenue** | | | | |
| Total segment revenue | 31,751 | | 19,790 | 51,541 |
| Inter-segment revenue | - | | - | - |
| **Segment revenue from external customers** | 31,751 | | 19,790 | 51,541 |
| **EBITDA** | 1,411 | | 10,023 | 11,434 |
| Interest revenue | 13 | | 1 | 14 |
| Interest expense | - | - | - | - |
| Depreciation and amortisation | 200 | - | 1,927 | 2,127 |
| Impairment - (note 16(d)) | - | - | - | - |
| **Segment Assets and Liabilities** | | | | |
| Segment assets | 29,199 | 2,611 | 7,700 | 39,510 |
| Segment liabilities | 6,323 | - | 2,421 | 8,745 |
| Acquisitions of property, plant and equipment, intangibles and other non-current segment assets | 2,268 | 2,240 | - | 4,508 |

Notes to the Consolidated Financial Statements

## NOTE 30 : SEGMENT REPORTING (continued)

**(d) Other segment information**

(i) Segment revenue

Inter-segment revenue comprises sales between segments which are on arm's length terms. Segment revenues from external customers are measured in accordance with the accounting policy described in note 1(d).

Segment revenue reconciles to total revenue from continuing operations as follows:

| | Consolidated | |
|---|---|---|
| | **2014 $'000** | 2013 $'000 |
| Total segment revenue | **37,772** | 51,542 |
| Interest revenue | **167** | 146 |
| Total revenue from continuing operations (refer Note 4) | **37,940** | 51,688 |

(ii) EBITDA

The Board monitors segment performance based on EBITDA. This measure excludes non-recurring expenditure such as impairments and share-based payments as well interest expense and unrealised gains/losses on financial instruments, which are considered part of the treasury function.

EBITDA reconciles to operating profit before income tax as follows:

| | Consolidated | |
|---|---|---|
| | **2014 $'000** | 2013 $'000 |
| Total segment EBITDA | **2,932** | 11,434 |
| Inter segment eliminations | **-** | - |
| Revenue not attributable to operating segments | **99** | 260 |
| Interest Revenue | **167** | 146 |
| Finance costs | **(66)** | (357) |
| Depreciation | **(1,054)** | (2,128) |
| Corporate overhead recharge | **(2,145)** | - |
| Impairment | **-** | - |
| Consultants and legal expenses | **(389)** | (471) |
| Employee benefits expenses | **(1,315)** | (2,210) |
| Other Expenses | **1,588** | (1,629) |
| Share-based payments | **8** | 49 |
| Operating (Loss) / Profit before income tax from continuing operations | **(175)** | 5,094 |

## NOTE 30 : SEGMENT REPORTING (continued)

### (d) Other segment information (continued)

(iii) Segment assets

Segment asset amounts provided to the Board are measured in the same way that they are measured in the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Assets used jointly by reportable segments are allocated based on revenues earned. Financial instruments other than segment receivables and payables are part of the treasury function and not allocated to segments.

Segment assets reconcile to total assets as follows:

| | Consolidated | |
|---|---|---|
| | **2014** **$'000** | 2013 $'000 |
| **Segment assets** | **45,427** | 39,510 |
| Inter-segment eliminations | **(10,343)** | (11,658) |
| Current tax asset | **-** | - |
| Deferred tax assets | **20** | 72 |
| Non-segment assets | **5,960** | 35,401 |
| **Total assets per statement of financial position** | **41,064** | 63,326 |

(iv) Segment liabilities

Segment liability amounts provided to the Board are measured in the same way that they are measured in the financial statements. Liabilities are allocated based on the operations of the segment. Liabilities incurred jointly by reportable segments are allocated based on total capital required by individual segments. Borrowings are part of the treasury function and not allocated to segments.

Segment liabilities reconcile to total liabilities as follows:

| | Consolidated | |
|---|---|---|
| | **2014** **$'000** | 2013 $'000 |
| **Segment liabilities** | **5,392** | 8,745 |
| Inter-segment eliminations | **-** | (11,658) |
| Secured bank loan | **-** | - |
| Deferred tax liabilities | **20** | 72 |
| Non-segment liabilities | **5,297** | 28,930 |
| **Total liabilities per statement of financial position** | **10,709** | 26,089 |

## NOTE 31 : EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Nomad is continuing to explore development options for the site in South Headland and is in discussions with the relevant authorities to establish either a development lease leading to freehold or a 20 year lease. As part of this development Nomad committed to infrastructure works in 2011 and with this work now complete Nomad has settled all outstanding development costs with a $2.645m (excluding GST) payment in early July 2014.

Nomad has entered into an agreement for the sub-lease of its leased property in Wacol, Brisbane. The sub-lease of the Wacol lease is for an annual rental of $850,000 plus outgoings, and the term of the lease is one year expiring 30 June 2015, with two options each for a further six months. The sub lease income has been reflected in Note 27 (b) Commitments.

The following changes in Key Management Personnel have occurred post 30 June 2014:

a) Peter Hogan has resigned as non-executive director effective 31 July 2014
b) The role of NBS Managing Director and Chief Financial Officer has been made redundant and Andrew Sturcke will depart from this position on 7 November 2014. From this date Mr Sturcke will commence as a Non Executive Director.

No other matters or circumstances have arisen since 30 June 2014 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years;
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

## NOTE 32 : RECONCILIATION OF (LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|---|---|
| | **2014 $'000** | 2013 $'000 |
| (Loss) / Profit for the year | **(6,887)** | (13,705) |
| **Add back items:** | | |
| Depreciation and amortisation | **1,163** | 2,467 |
| Impairment charge – goodwill | **-** | 5,000 |
| Impairment charge – deferred tax assets | **-** | 10,490 |
| Impairment charge – assets available for sale | **557** | - |
| Dividend and interest income | **-** | - |
| Written down value of non-current assets sold | **493** | 295 |
| Share-based payments | **8** | 49 |
| Bad / Doubtful debts | **101** | 211 |
| **Change in operating assets and liabilities:** | | |
| Decrease in trade debtors | **9,333** | 4,207 |
| Decrease in inventories | **11,133** | 3,395 |
| (Increase) / decrease in other operating assets | **(2,914)** | 6,462 |
| Decrease in deferred tax asset | **52** | 89 |
| (Decrease) in other provisions | **-** | (63) |
| (Decrease) in trade creditors and other payables | **(16,556)** | (7,849) |
| (Decrease) in provision for deferred tax liability | **(52)** | (89) |
| Net cash inflow from operating Activities | **(3,569)** | 10,959 |

## NOTE 33: EARNINGS PER SHARE

| | | Consolidated 2014 Cents | Consolidated 2013 Cents |
|---|---|---|---|
| (b) | **Basic (loss) per share** | **(2.5)** | (4.9) |
| (c) | **Diluted (loss) per share** | **(2.5)** | (4.9) |
| (b) | **Basic (loss) per share from continuing operations** | **(0.06)** | (1.9) |
| (c) | **Diluted (loss) per share from continuing operations** | **(0.06)** | (1.8) |
| (d) | **Reconciliations of (loss) / earnings used in calculating earnings per share** | **$'000** | $'000 |
| | *Basic and diluted earnings / (loss) per share:* | | |
| | Profit / (Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings / (loss) per share | **(6,887)** | (13,705) |
| | Profit / (Loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings / (loss) per share | **(6,887)** | (13,705) |
| | Profit / (Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings / (loss) per share from continuing operations | **(175)** | (5,285) |
| | Profit / (Loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings / (loss) per share from continuing operations | **(175)** | (5,285) |
| (e) | **Weighted average number of shares used as the denominator** | **Number** | Number |
| | Weighted average number of shares used as the denominator in calculating basic earnings per share | **277,479,329** | 277,479,329 |
| | Adjustment for calculation of diluted earnings per share for options | **-** | - |
| | Weighted average number of shares used as the denominator in calculating diluted earnings per share | **277,479,329** | 277,479,329 |

**(f) Information concerning the classification of securities**

Options granted to employees under the Nomad Long-term Incentive Option Plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 34.

## NOTE 34: SHARE-BASED PAYMENTS

### (a) Employee option plans

The Nomad Long-term Incentive Plans, as amended from time to time, are designed to provide long-term incentives for executives and managers to deliver superior long-term shareholder returns.

For all Plans:

- The options can only be exercised if the employees are still employed by the Group.
- Options issued under each Plan carry no dividend or voting rights. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. Each Plan's rules do not permit the transfer of options.
- No options are exercisable and as a result no ordinary shares in the Company provided as a result of the exercise of remuneration options to directors of Nomad Building Solutions Limited and other key management personnel of the Group.
- No options expired during the period.
- Options forfeited during the financial year due to employee resignations are scheduled below.

Executive Long-term Incentive Plan 2011

Options were issued under the Nomad Long-term Executive Incentive Plan 2011, which was approved by the Board of the company on 26 May 2011.

Exercise of options is based on two independent measures, with each measure providing up to 50% of the available units. The targets are Nomad Building Solutions Limited's results against two benchmarks, namely:

(a) earnings per share targets for the first, second and third years; and
(b) total shareholder return exceeding the return of the mid-ranked company in the ASX 300 AI from the issue date.

If options do not vest at the first available vesting date, they become vested and exercisable if the tests are passed on a cumulative basis, for the period of measurement at a subsequent vesting date.

Once vested, the options remain exercisable for a period of 5 years from the issue date. When exercisable, each option is convertible into one ordinary share.

All shares issued upon exercise of options will be held in escrow until the end of an escrow period.

| Proportion of issue to an individual | End of escrow period |
|---|---|
| One half | 36 months after issue date of options |
| One sixth | 42 months after issue date of options |
| One sixth | 48 months after issue date of options |
| One sixth | 54 months after issue date of options |

The first, second and third year hurdles of options issued under this plan have not been met.

Nomad Long-term Incentive Plan 2012

Options were issued under the Nomad Long-term Executive Incentive Plan 2012, which was approved by the Board of the company on 25 September 2012

Vesting occurs automatically each anniversary; options vest in three equal tranches on the first, second and third anniversaries of the date on which the Options are issued. The options which vest are subject to two independent measures before they can be exercised. Each measure provides for up to 50% of the available vested options to be exercised. The targets are Nomad Building Solutions Limited's performance against two benchmarks, namely:

(a) earnings per share targets for the first, second and third years; and
(b) total shareholder return exceeding the return of the mid-ranked company in the ASX 300 All Industrials Accumulation Index ("ASX 300 AI") from the grant date.

If options do not pass the option exercise hurdles at the first available vesting date, they become vested and exercisable if the tests are passed on a cumulative basis, for the period of measurement at a subsequent vesting date.

Once vested, the options remain exercisable for a period of 5 years from the issue date. When exercisable, each option is convertible into one ordinary share.

**NOTE 34: SHARE-BASED PAYMENTS (continued)**

**(a) Employee option plans (continued)**

All shares issued upon exercise of options will be held in escrow until the end of an escrow period.

| Proportion of issue to an individual | End of escrow period |
|---|---|
| One half | 36 months after issue date of options |
| One sixth | 42 months after issue date of options |
| One sixth | 48 months after issue date of options |
| One sixth | 54 months after issue date of options |

The first and second year hurdles of options issued under this plan have not been met.

Managing Director Long-term Incentive Plan 2012

Options were issued under the Managing Director Long-term Executive Incentive Plan 2012, which was approved by the Board of the company on 25 September 2012.

Vesting occurs automatically each anniversary; options vest in three equal tranches on the first, second and third anniversaries of the date on which the Options are issued. The options which vest are subject to two independent measures before they can be exercised. Each measure provides for up to 50% of the available vested options to be exercised. The targets are Nomad Building Solutions Limited's performance against two benchmarks, namely:

(a) earnings per share targets for the first, second and third years; and
(b) total shareholder return exceeding the return of the mid-ranked company in the ASX 300 All Industrials Accumulation Index ("ASX 300 AI") from the grant date.

If options do not pass the option exercise hurdles at the first available vesting date, they become vested and exercisable if the tests are passed on a cumulative basis, for the period of measurement at a subsequent vesting date.

Once vested, the options remain exercisable for a period of 5 years from the issue date. When exercisable, each option is convertible into one ordinary share.

All shares issued upon exercise of options will be held in escrow until the end of an escrow period.

| Proportion of issue to an individual | End of escrow period |
|---|---|
| One half | 36 months after issue date of options |
| One sixth | 42 months after issue date of options |
| One sixth | 48 months after issue date of options |
| One sixth | 54 months after issue date of options |

Following the resignation of Mr P J Hogan as Managing Director, all options issued under this plan have lapsed.

## NOTE 34: SHARE-BASED PAYMENTS (continued)

Set out below are summaries of options issued under the plans:

**2014**

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year | Issued during the year | Exercised during the year | Forfeited during the year | Balance at end of the year | Vested and exercisable at end of the year |
|---|---|---|---|---|---|---|---|---|
| | | $ | Number | Number | Number | Number | Number | Number |
| 30/06/11 | 30/6/2016 | $0.1300 | 2,300,000 | - | - | - | 2,300,000 | - |
| 12/12/12 | 12/12/17 | $0.0950 | 1,700,000 | - | | - | 1,700,000 | - |
| 12/12/12 | 12/12/17 | $0.0950 | 5,000,000 | - | - | (5,000,000) | - | - |
| Total | | | 9,000,000 | - | - | (5,000,000) | 4,000,000 | - |
| Weighted average exercise price | | | $0.10 | - | - | $0.10 | $0.12 | - |

**2013**

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year | Issued during the year | Exercised during the year | Forfeited during the year | Balance at end of the year | Vested and exercisable at end of the year |
|---|---|---|---|---|---|---|---|---|
| | | $ | Number | Number | Number | Number | Number | Number |
| 01/03/10 | 28/04/14 | $0.7289 | 300,000 | - | - | (300,000) | - | - |
| 30/06/11 | 30/6/2016 | $0.1300 | 4,600,000 | - | - | (2,300,000) | 2,300,000 | - |
| 31/12/11 | 31/12/16 | $0.1300 | 1,000,000 | - | - | (1,000,000) | - | - |
| 12/12/12 | 12/12/17 | $0.0950 | - | 2,900,000 | | (1,200,000) | 1,700,000 | |
| 12/12/12 | 12/12/17 | $0.0950 | - | 5,000,000 | - | - | 5,000,000 | - |
| Total | | | 5,900,000 | 7,900,000 | - | (4,800,000) | 9,000,000 | - |
| Weighted average exercise price | | | $0.16 | $0.10 | - | $0.16 | $0.10 | - |

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.6 years (2013: 4.1 years).

*Fair value of options issued*

The assessed fair value at issue date of options issued to the individuals is allocated equally over the period from issue date to vesting dates and the amount is included in the remuneration tables above. Fair values at issue date are independently determined using a binomial option pricing, model for options issued up to February 2009, and the enhanced trinomial approach for subsequent issues, that takes into account the exercise price, the term of the option, the impact of dilution, the share price at issue date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

**NOTE 34: SHARE-BASED PAYMENTS (continued)**

**(a) Employee option plans (continued)**

There were no options issued during the year ended 30 June 2014:

The valuation model inputs for options issued during the year ended 30 June 2013 included:

| | MD Long Term Incentive Plan 2012 | Executive Long Term Incentive Plan 2012 |
|---|---|---|
| Consideration | Nil | Nil |
| Vesting / Exercise conditions | See Vesting/Exercise Conditions Below | See Vesting/Exercise Conditions Below |
| Exercise price | $0.10 | $0.13 |
| Grant date | 12 December 2012 | 12 December 2012 |
| Expiry date | 12 December 2017 | 12 December 2017 |
| Share price at issue date | $0.090 | $0.095 |
| Expected price volatility of Company's shares | 62.1% | 62.1% |
| Risk free interest rate | 3.26% | 3.26% |
| Fair Value | $0.0152 | $0.0152 |

**Vesting Conditions**

Nomad Executive Long-term Incentive Plan 2011

Vesting is in three tranches weighted at 10% for the first year, 20% for the second year and 70% in the third year. Exercise of options is based on Nomad Building Solutions Limited's net profit after tax and total shareholder return ranked against the ASX300 Accumulation Index. Options not exercisable in one year may be exercised at a subsequent vesting date if hurdles are met on a cumulative basis.

Nomad Executive Long-term Incentive Plan 2012

Vesting is in three tranches weighted at 33.3% for the first year, 33.3% for the second year and 33.4% in the third year. Exercise of options is based on Nomad Building Solutions Limited's net profit after tax and total shareholder return ranked against the SAP/ASX Small Ordinaries (ASX Small Ords A1:). Options not exercisable in one year may be exercised at a subsequent vesting date if hurdles are met on a cumulative basis.

Managing Director Long-term Incentive Plan 2012

Vesting is in three tranches weighted at 33.3% for the first year, 33.3% for the second year and 33.4% in the third year. Exercise of options is based on Nomad Building Solutions Limited's net profit after tax and total shareholder return ranked against the SAP/ASX Small Ordinaries (ASX Small Ords A1:). Options not exercisable in one year may be exercised at a subsequent vesting date if hurdles are met on a cumulative basis.

The expected price volatility is based on current exponentially-weighted moving average volatility of benchmark group stock and Forecast long-term volatility employing various estimators of benchmark group stock returns using data from the relevant period.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Nomad Building Solutions Limited for the amount recognised as an expense for these options.

**(b) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Options issued under employee option plan | **8** | 49 |
| **Total options expense** | **8** | 49 |

## NOTE 35: DEED OF CROSS GUARANTEE

Nomad Building Solutions Limited and all the wholly owned entities forming the consolidated Group are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities, if they are a reporting entity, have been relieved from the requirement to prepare financial statements and directors' reports under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Nomad Building Solutions Limited and its wholly owned entities 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 Nomad Building Solutions Limited, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position of the consolidated Group are the same for the 'Extended Closed Group'.

## NOTE 36: PARENT ENTITY SUMMARY

The results for Nomad Building Solutions Pty Ltd ('parent entity') are summarised below:

| | Note | Parent entity 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Net (loss) / profit and total comprehensive (expense) / Income attributable to members of Nomad Building Solutions Limited** | | **(2,145)** | **(19,163)** |
| Total current assets | | **2,343** | 6,950 |
| Total non-current assets | | **7,897** | 23,681 |
| **Total assets** | | **10,240** | 30,631 |
| Total current liabilities | | **544** | 851 |
| Total non-current liabilities | | **60** | 60 |
| **Total liabilities** | | **604** | 911 |
| **Net assets** | | **9,637** | 29,720 |
| **Equity** | | | |
| Contributed equity | 21 | **107,773** | 107,773 |
| Reserves | | **106** | 97 |
| Accumulated losses | | **(98,241)** | (78,150) |
| **Total equity** | | **9,637** | 29,720 |

**Operating lease commitments**

| | Parent entity 2014 $'000 | 2013 $'000 |
|---|---|---|
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | **68** | 295 |
| Later than one year but not later than five years | **70** | 161 |
| | **138** | 456 |
| **Representing:** | | |
| Non-cancellable operating leases | **138** | 456 |
| | **138** | 456 |

As per note 35 the Group operates under a deed of cross guarantee, under which the Company guarantees the debts of all of its subsidiary companies. The total liability of all other subsidiaries was $10,157,000 (2013: $25,178,000).

The parent entity had no other capital commitments or contingent liability at 30 June 2014 (2013: nil)

## Directors' Declaration

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

4. The Group has included in the Notes to the Consolidated Financial Statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

Nomad Building Solutions Limited and all wholly owned entities are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 35.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Andrew Sturcke
Managing Director

Perth
28 August 2014

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# INDEPENDENT AUDITOR'S REPORT

To the members of Nomad Building Solutions Limited

## Report on the Financial Report

We have audited the accompanying financial report of Nomad Building Solutions Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Nomad Building Solutions Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Nomad Building Solutions Limited is in accordance with the *Corporations Act 2001*, including:

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

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

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

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 31 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Nomad Building Solutions Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'brien
Director

Perth, 28 August 2014