Valmec Limited

ABN 94 003 607 074

Appendix 4E & Financial Report for the Year Ended 30 June 2014

Corporate Directory

Directors

Mr Stephen Zurhaar
Non-Executive Chairman

Mr Steve Dropulich
Managing Director

Mr Vincent Goss
Executive Director

Mr Ranko Matic
Non-Executive Director

Company Secretary

Mr Ranko Matic

Share Registry

Link Market Services Limited
Level 4 Central Park
152 St Georges Terrace
PERTH WA 6000

Telephone: +61 2 8280 7111

Facsimile: +61 2 9287 0309

Registered Office

C/- Bentleys (WA) Pty Ltd
Level 1, 12 Kings Park Road
West Perth WA 6005

Telephone:+61 8 9226 4500

Facsimile: +61 8 9226 4300

Auditor

RSM Bird Cameron Partners
8 St Georges Terrance
Perth WA 6000

Telephone: +61 8 9261 9100

ASX Code

VMX

Legal Advisers

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Telephone: +61 8 9321 4000

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Appendix 4E – Preliminary Final Report For The Year Ended 30 June 2014

As required by Australian Accounting Standard AASB 3 'Business Combinations', Valmec Limited and Core Plant & Equipment Pty Ltd were deemed to have been acquired by Valmec Australia Pty Ltd as at 13 January 2014, in accordance with reverse acquisition accounting. Accordingly, the comparative information presented herein (for the 12 months to 30 June 2013) are of Valmec Australia Pty Ltd.

Key Information	2014 $000	2013 $000	% Change
Revenue from ordinary activities	50,105	28,417	76%
Profit after tax from ordinary activities attributable to members	5,048	597	745%
Net profit attributable to members	5,048	597	745%

Dividends Paid and Proposed

	Amount per Security	Franked Amount per Security at 30% of Tax
Ordinary shares:		
2013 final – paid	-	-
2014 interim – paid	-	-
2014 final – declared	-	-

Record date for determining entitlements to the final dividend:

Ordinary shares

Explanation of Key Information and Dividends

Refer to the accompanying directors' report.

Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to pages 27 - 74 of the 30 June 2014 financial report and accompanying notes for Valmec Limited.

Statement of Financial Position with Notes to the Statement

Refer to pages 28 - 74 of the 30 June 2014 financial report and accompanying notes for Valmec Limited.

Statement of Cash Flows with Notes to the Statement

Refer to pages 30 - 74 of the 30 June 2014 financial report and accompanying notes for Valmec Limited.

Dividend Details

	2014 $000	2013 $000
Ordinary share capital:		
Final dividend paid	-	-
Interim dividend payable	-	-
Fully franked redeemable preference shares:		
Final dividend paid	-	-

Dividend Reinvestment Plan

There was no dividend reinvestment plan in operation which occurred during the financial year.

Statement of Retained Earnings Showing Movements

	2014 $000	2013 $000
Balance at the beginning of the year	(1,003)	(1,600)
Net profit attributable to members of the parent entity	5,048	597
Dividends	-	-
Balance at the end of the year	4,045	(1,003)

Net Tangible Assets per Share

	2014 $/share	2013 $/share
Net tangible assets per share	0.08	0.26

Control Gained or Lost over Entities in the Year

On 13 January 2014, the Valmec Limited acquired 100% interest of the Marcon Group, being Valmec Australia Pty Ltd (previously known as Marcon Pty Ltd) and Core Plant & Equipment Pty Ltd. As required by Australian Accounting Standard AASB 3 'Business Combinations', Valmec Limited and Core Plant & Equipment Pty Ltd were deemed to have been acquired by Valmec Australia Pty Ltd as at 13 January 2014, in accordance with reverse acquisition accounting. Valmec Limited or Company means only the legal entity of Valmec Limited, which is listed on the Australian Stock Exchange (ASX: VMX). Valmec Limited is the legal parent of the Marcon Group and is deemed to be the accounting acquiree of the Group and this Appendix 4E and Annual Report are presented on this basis. Accordingly, the comparative information presented herein (for the 12 months to 30 June 2013) are of Valmec Australia Pty Ltd. Please refer to the Notes of the Consolidated Financial Statements for additional information.

Investment in Associates and Joint Ventures

There are no associates or joint venture entities.

Commentary on the Results for the Period

Refer to the commentary on the results for the period contained in the "Review of Operations" included within the operating and financial review section of the annual report.

Status of Audit

The 30 June 2014 financial report and accompanying notes for Valmec Limited have been audited and are not subject to any disputes or qualifications. Refer to page 76 of the 30 June 2014 financial report for a copy of the auditor's report.

Operating and Financial Review

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Process Services Engineering, Procurement and Construction;
- Mining Services Multi-Discipline Construction;
- Gas Turbine Compression and Metering;
- Petrochemical and Mining Fabrication;
- Electrical and underground services;
- Earthworks and civil engineering;
- Asset Preservation and Maintenance

Our operations have been conducted predominantly in Western Australia and Queensland.

Significant Changes to Activities

Other than the Business Combination involving Valmec Limited and the Marcon Group referred to in this Financial Report, no significant changes in the nature of the consolidated group's principal activities occurred during the financial year.

Our Business Model and Objectives

Providing satisfactory returns to our shareholders is our primary objective.

The Group previously advised its intentions to actively review new transactions with the view of creating shareholder value. The Board members have a broad range of experience, skills and networks within the Oil, Gas and Resources sectors which the Group now intends on utilizing in reviewing future transaction opportunities.

The Group has determined that the expanding Australian Oil and Gas sector continues to provide key opportunities for growth over the longer term with less volatility than that experienced by the mining sector and on 13 January 2014, the Group announced that it had completed the acquisition of all of the shares in Valmec Australia Pty Ltd (formerly Marcon Pty Ltd) and Core Plant & Equipment Pty Ltd (collectively **Marcon Group**). Marcon Group is an engineering and construction services Group with an ability to provide clients with the full project lifecycle encompassing civil through to commissioning services.

Together with its global technology partners, Valmec Limited presents itself as a niche offering in the supply of specialist engineering, procurement, construction (EPC), preservation and integrity maintenance services to the Energy Services, Oil, Gas and Resources industries.

Operating Results

The consolidated profit of the consolidated group amounted to $5.04m, after providing for income tax and eliminating non-controlling equity interests represents a 745% increase on the results reported for the year ended 30 June 2013. As a result of accounting for the acquisition of Marcon Group by Valmec Limited on 13 January 2014 as a reverse acquisition pursuant to Australian Accounting Standard AASB3 'Business Combinations', it should be noted that the comparative information presented herein (for the 12 months to 30 June 2013) is of Valmec Australia Pty Ltd only and excludes the results of Valmec Limited and Core Plant & Equipment Pty Ltd.

Review of Operations

The acquisition of Marcon Group was an important first step in Valmec Limited's future projects and energy services delivery strategy. As well as providing a robust order book, Valmec Limited was able to further develop its core sales proposition: Project engineered equipment, construction and commissioning solutions to the energy and resources sectors.

Marcon Group's project backlog during the acquisition process included $41 million of key gas services contracts for Santos, Buru Energy, OSD Pipelines and a turnkey Compressor Station project for APA Group valued at $23.5m. During the year all contracts were either completed or continue to perform to a high standard.

Valmec Limited's diversity of revenues and pipeline of future project opportunities for 2015 continues to be strong allowing the Company to maintain its disciplined tendering processes and project selection criteria in place. Since the Marcon Group acquisition date, the Group has submitted over $65 million of tenders and Expressions of Interests (EOI) with its Clients from an identified projects pipeline of circa $130 million. Focused tendering and joint marketing activities with the Group's technology partners will also provide Valmec Limited with an increased exposure to higher value, higher margin contracts further up the supply chain.

2014 also saw an increased focus on the East Coast gas sector with the award of the Eastern Haul Project for APA Group and establishment of management and facility resources in Queensland. From its Queensland base, the Group will be better placed to service Client expansion and augmentation Gas projects on the East Coast and within the Cooper Basin region. Locally, the Group's multi-discipline operations will continue to re-focus its tendering strategies on more diversified civil based opportunities which incorporate in-house capabilities (concrete, electrical, site construction) including D&C and EPC models alongside the development of key partner relationships.

Importantly, even during a growth year, the Group has continued to maintain a solid safety performance in 2014, recording a TRIFR of 5.63 on the back of continued zero lost time incidents, Management have continued to roll out safety initiative and systems training and the Group's "Golden Rules of Safety" program will kick start a range of specific site training packages to ensure we are well positioned during further periods of staff and project site growth.

Financial Position

As a result of accounting for the acquisition of Marcon Group by Valmec Limited on 13 January 2014 as a reverse acquisition pursuant to Australian Accounting Standard AASB3 'Business Combinations', it should be noted that the comparative information presented herein (for the 12 months to 30 June 2013) is of Valmec Australia Pty Ltd only.

The net assets of the consolidated group have increased by approximately $7.96m from 30 June 2013 to $8.46m in 2014. This increase is largely due to the following factors:

- Combination of Valmec Limited and Core Plant & Equipment Pty Ltd - $1.2m
- Recognition of goodwill on consolidation arising from the business combination - $1.72m
- Profit after tax of $5.04m.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

Apart from the acquisition of Marcon Group by Valmec Limited on 13 January 2014 as discussed herein and the matters referred to above, there have been no significant changes in the state of affairs of the parent entity during the financial year:

Events after the Reporting Period

There have been no matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments, Prospects and Business Strategies

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Issues

The Group's operations are subject to a range of environmental regulations.

During the financial year, Valmec Limited and its subsidiaries met all reporting requirements under any relevant legislation. There were no incidents which required reporting.

The Company aims to continually improve its environmental performance.

Corporate Governance Statement

As an integral part of its preparations to list on the Australian Securities Exchange ("**ASX**"), the Company has considered and set up a framework for embracing the ASX Corporate Governance Principles and Recommendations (2nd Edition) ("**Recommendations**"). The Company has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Company and the Board, the resources available to the Company and the activities of the Company. Where, after due consideration the Company's corporate governance policies depart from the Recommendations, the Board has outlined the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is available on the Company's web site at www.valmec.com.au

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations. As the Company's activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

	Recommendation	Valmec Limited Current Practice
	PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions	Satisfied. The Directors have adopted a Board Charter which outlines the role of the Board. Executive Service Agreements outline functions of the executive directors. Non-executive Director appointment letters outline the terms and conditions of non-executive director appointments. As the Company recruits additional management, the roles and responsibilities of these persons will be considered and documented.
1.2	Companies should disclose the process for evaluating the performance of senior executives	Satisfied. A Senior Executives Performance Review Policy has been established and is available at www.valmec.com.au The remunerations and nominations committee is responsible for performance evaluation of senior executives.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	Satisfied. Relevant information is included in the Annual Report. The Board Charter is also available at www.valmec.com.au
	PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE	
2.1	A majority of the board should be independent directors.	Not Satisfied. Currently there are two non-executive directors and two executive directors. One of the directors is independent. The board of directors has been structured to include an appropriate mix of skills and expertise relevant to the company. The board considers its structure is appropriate for the current company

	Recommendation	Valmec Limited Current Practice
		conditions. The board will consider its composition as the Company's operations expand and may appoint additional independent directors if necessary.
2.2	The chair should be an independent director.	Not Satisfied. As per 2.1 above, there is currently one independent director. At this time the Board considers that an independent chairperson is not required due to the size of the Company. However, the board will reconsider this as the Company's operations evolve.
2.3	Roles of chair and chief executive officer should not be exercised by same individual.	Satisfied. The role of chairperson of the Board and the CEO (Managing Director) are exercised by a different person. Stephen Zurhaar is chairperson of the Board and Steve Dropulich is Managing Director.
2.4	The board should establish a nomination committee.	Not Satisfied. Due to the size of the board, matters and issues arising that would usually fall to the nomination committee, will be considered by the Board. The company has established a Remuneration and Nomination Committee Charter which outlines the process for the board to follow. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee.
2.5	Companies should disclose the process for evaluating the performance of its board, its committees and individual directors.	Satisfied. The Company has established a Director and Board Performance Review Charter.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2 outlined in the Recommendations.	The following information will be included in the Company's annual report, and also on its website: Skills, experience and diversity of directors Names of independent directors Procedure for undertaking independent professional advice Period of office held Names of members of the nominations committee Whether a performance evaluation of the board has taken place

	Recommendation	Valmec Limited Current Practice
	PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – The practices necessary to maintain confidence in the company's integrity. – The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, – The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. Code of conduct policy established and available at www.valmec.com.au
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Partially Satisfied. Diversity policy established and available at www.valmec.com.au. Measurable objectives are not yet defined but will be developed over time as the business grows.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Not Satisfied Due to the size of the company, no measurable objectives to achieve gender diversity have been set.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior positions and women on the board.	Satisfied Proportion of women employees in the whole organisation is 10%. There is one woman currently employed in a senior management position. There are no women on the Board.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3 outlined in the Recommendations.	Satisfied. Diversity policy established and available at www.valmec.com.au
	PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING	
4.1	The board should establish an audit committee.	Not Satisfied. Due to the size of the Company and its Board, a separate Audit Committee has not been established. The full Board undertakes all responsibilities in line with the Audit, Finance and Risk Committee charter, which is available at www.valmec.com.au

	Recommendation	Valmec Limited Current Practice
4.2	The audit committee should be structured such that it: •Consists only of non-executive directors; •Consists of a majority of independent directors; •Is chaired by an independent chair, who is not the chair of the board; •Has at least three members	Not Satisfied. The audit committee currently consists of the full board with two being non-executive directors. One of the 4 directors is independent. Due to the current size of the company, and composition of the Board, the audit committee is considered sufficient at this stage.
4.3	The audit committee should have a formal charter.	Satisfied. An Audit, Finance and Risk Committee charter has been established and is available at www.valmec.com.au
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4 outlined in the Recommendations.	Satisfied. An Audit, Finance and Risk Committee charter has been established and is available at www.valmec.com.au
	PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy and Securities trading policy available at www.valmec.com.au
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5 outlined in the Recommendations.	Satisfied. Refer 5.1
	PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Satisfied. Communications with shareholders policy available at www.valmec.com.au
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6 outlined in the Recommendations.	Satisfied. Refer 6.1

	Recommendation	Valmec Limited Current Practice
	PRINCIPLE 7 – RECOGNISE AND MANAGE RISK	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management Policy established and available at www.valmec.com.au Risk management policies and practices include: The Audit and Risk Committee Charter A business insurance program Regular budgeting and financial reporting Company Business plan Procedures to review and approve strategic plans, and Controls to manage financial exposures and operational risks
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Satisfied. The Board including the Managing Director are responsible for risk management. The Board reviews the effectiveness of the risk management and internal control system annually.
7.3	The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the management system is operating effectively in all material aspects in relation to financial reporting risks.	Satisfied. The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided to the Board a declaration in accordance with section 295A of the Corporations Act.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Satisfied. Refer above.
	PRINCIPLE 8 – REMUNERATE FARILY AND RESPONSIBLY	
8.1	The board should establish a remuneration committee.	Satisfied. The Company has established a Remuneration Committee for which the Board of Directors will revert all remuneration matters to. Due to the size and structure of the Board, the remuneration committee will commission independent remuneration consultants to assist it in determining the levels of remuneration for the Directors and key executives.

	Recommendation	Valmec Limited Current Practice
8.2	The remuneration committee should be structured so that it: – Consists of a majority of independent directors – Is chaired by an independent chair – • Has at least three members	Not Satisfied. The remuneration committee consists of two members who are non-executive directors with one being independent. Due to the current size of the company, and composition of the Board, the remuneration committee is considered sufficient at this stage.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of directors remuneration is detailed in an executive services agreement for the executive director and letters of appointment for non executive directors. Remuneration will also be disclosed in the Annual Report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8 outlined in the Recommendations.	The Remuneration and Nominations Committee Charter is available at www.valmec.com.au All relevant remuneration information will be disclosed in the Company's annual report.

Directors' Report

Definitions

For the purposes of this report:

Marcon Group refers to the companies, being Valmec Australia Pty Ltd (formerly Marcon Pty Ltd) and Core Plant & Equipment Pty Ltd purchased by Valmec Limited on 13 January 2014. As required by Australian Accounting Standard AASB3 'Business Combinations', Valmec Limited and Core Plant & Equipment Pty Ltd are deemed to have been acquired by Valmec Australia Pty Ltd, in accordance with reverse acquisition accounting.

Valmec Limited or Listed Entity or the Company means only the legal entity of Valmec Limited, which is listed on the Australian Stock Exchange (ASX: VMX). Valmec Limited is the legal parent of the Marcon Group.

Valmec Group means Valmec Limited and all its subsidiaries prior to the purchase of the Marcon Group on 13 January 2014.

The Consolidated Entity or Group means the Valmec Group and the Marcon Group combined, where the Valmec Group is deemed to be combined by the Marcon Group as required by AASB3.

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Valmec Limited and its controlled entities for the financial year ended 30 June 2014. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2014 and is to be read in conjunction with the following information:

General Information

Directors

The following persons were directors of Valmec Limited during or since the end of the financial year up to the date of this report:

Stephen Zurhaar – Non-executive Chairman

Steve Dropulich – Managing Director

Vincent Goss – Executive Director

Ranko Matic – Non-executive Director and Company Secretary

Particulars of each director's experience and qualifications are set out later in this report.

Dividends Paid or Recommended

In respect of the financial year end 30 June 2014, no dividend has been paid and the directors do not recommend the payment of a dividend in respect of the financial year (2013: Nil).

Indemnifying Officers or Auditor

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on Behalf of Company

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

The company was not a party to any such proceedings during the year.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8 to the financial statements.

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services outlined in Note 8 do not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and included within these financial statements.

Options

At the date of this report, the unissued ordinary shares of Valmec Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
06/03/2012	31/12/2014	0.40	1,875,000
14/03/2012	31/12/2014	0.40	625,000
08/06/2012	31/05/2015	0.40	125,000
29/10/2013	30/06/2018	0.25	500,000
08/01/2014	10/01/2018	0.25	32,740,000
			35,865,000

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Information Relating to Directors and Company Secretary

Stephen Zurhaar	–	Non-executive Chairman
Qualifications	–	Fellow of the Australian Institute of Company Directors and a Certified Practicing Accountant
Experience	–	Stephen Zurhaar is the Chairman and founder of the Z Corp Group of Businesses and Executive Director of Core. Stephen was also one of the Founders of the HVAC/HPS Group of Companies and from the Group's inception up to its sale to Enerflex Ltd (a TSX listed Public Company) in 2005, was actively involved in its executive management, holding different key roles such as Finance Director, CEO and ultimately Chairman. Stephen was pivotal in negotiating the successful transactions with Enerflex Ltd and with ANZ Private Equity in their purchase of HVAC Construction QLD Pty Ltd. He now consults on strategic and change management for SMEs and Private Equity Groups.
Interest in Shares and Options	–	5,589,380 ordinary shares and options to acquire a further 3,525,000 ordinary shares
Special Responsibilities	–	None
Directorships held in other listed entities during the three years prior to the current year	–	None
Steve Dropulich	–	Managing Director
Qualifications	–	Steve is a Chartered Accountant and member of the Australian Institute of Company Directors
Experience	–	Steve most recently held the role of Managing Director/ Vice President of the Enerflex Australasia Group, a multi-discipline Engineering, Construction, Supply and Service organisation servicing the Oil, Gas and Mining Sectors. The Enerflex Australasia Group grew to over 500 employees and annual revenues of over $300m during Steve's tenure; making it the second largest Regional operation for a TSX listed Company, Enerflex Limited, outside North America.
Interest in Shares and Options	–	2,615,630 ordinary shares and options to acquire a further 1,525,000 ordinary shares
Special Responsibilities	–	None

Directorships held in other listed entities during the three years prior to the current year	–	None
Vincent Goss	–	Executive Director
Qualifications	–	Officer Fellow of the Institution of Engineers Australia and also holds a Builders Registration accreditation in Western Australia
Experience	–	Vincent Goss was one of the founders of the HVAC/HPS Groups of Companies in 1988 originally holding the role of Construction Director through to his latest role as Group Managing Director during the group's transaction with the Enerflex Australasia Group. A Civil Engineer with over 35 years experience in multidiscipline services, Vincent is able to provide businesses with specialist skills in tender design, quality assurance/quality control, safety and environmental systems.
Interest in Shares and Options	–	5,490,896 ordinary shares and options to acquire a further 3,525,000 ordinary shares
Special Responsibilities	–	None
Directorships held in other listed entities during the three years prior to the current year	–	None
Ranko Matic	–	Non-executive Director and Company Secretary
Qualifications	–	Chartered Accountant
Experience	–	Over 25 years experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Ranko has considerable experience in a range of industries with particular exposure to public listed companies and large private enterprises. He is a Director of a Chartered Accounting firm and a Corporate Advisory company based in Perth, Western Australia and has specialist expertise and exposure in the areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations.
Interest in Shares and Options	–	325,000 ordinary shares and options to acquire a further 180,000 ordinary shares
Special Responsibilities	–	None
Directorships held in other listed entities during the three years prior to the current year	–	Non-executive director of East Energy Resources Limited (December 2007 to present) Non-executive director of Celsius Coal Limited (December 2010 to March 2012, November 2012 to present)

Non-executive director of Antilles Oil and Gas NL (April 2014 to August 2014)

Non-executive director of Argosy Minerals Limited (July 2014 to present)

Meetings of Directors

During the financial year, two meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Stephen Zurhaar	2	2
Steve Dropulich	2	2
Vincent Goss	2	2
Ranko Matic	2	2

Remuneration Report (Audited)

Remuneration Policy

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Valmec Limited's directors and its senior management for the financial year ended 30 June 2014.

The prescribed details for each person covered by this report are detailed below under the following headings.

- Remuneration policy for directors and senior executives
- Performance based remuneration
- Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration
- Employment Contracts of Directors and Senior Executives
- Elements of Directors and executive remuneration

Remuneration Policy for Directors and Senior Executives

The remuneration policy of Valmec Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results. The board of Valmec Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, and performance incentives.

The remuneration committee reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives and bonuses and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executives receive a superannuation guarantee contribution required by the government, which is currently 9.50% of base salary up to a legislated maximum, and do not receive any other retirement benefits. Individuals can choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration and nominations committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is presently set at an aggregate of $300,000 per annum. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Based Remuneration

There is currently no performance based remuneration in place but the Company has engaged an independent remuneration consultant to assist in formulating and making recommendations in relation to all forms or remuneration for Executives and KMP, including performance based remuneration, both short term and long term.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal alignment between shareholders and directors and executives. It is the Company's intention in the future is to develop two methods to achieve this aim; the first being a performance based bonus based on key performance indicators, and the second being the issue of shares to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth over the coming years.

Employment Contracts of Directors and Senior Executives

The employment contracts typically stipulate 1 month resignation periods other than the Managing Director. The Company may terminate the Managing Director's employment contract without cause by providing 3 months written notice, and at the end of that notice period, make a payment equal to the salary payable over a 3 month period. The Company may also at its sole discretion terminate an employment contract immediately by making a payment equal to the salary for the relevant period of notice. There are no employment contracts relating to Non-Executive Directors or the Company Secretary other than those outlined above.

Elements of Director and Executive Remuneration

The remuneration for each director and each executive officer of the company receiving the highest remuneration during the year was as follows:

2014	**Primary**			**Equity**	**Total**
	Salary and fees	**Super-annuation**	**Non cash benefits**	**Options**	
Directors	**$**	**$**	**$**	**$**	**$**
Steve Dropulich	300,000	25,000	697	-	325,697
Stephen Zurhaar	60,000	-	-	-	60,000
Vincent Goss	246,000	20,812	3,962	-	270,774
Ranko Matic	42,000	-	-	-	42,000
Other KMP					
Shane Gonsalves	300,000	25,000	3,915	58,273	387,188
Harveer Singh	240,000	20,350	4,083	-	264,433
Total	1,188,000	91,162	12,657	58,273	1,350,092

2013	Primary			Equity	Total
	Salary and fees	Super-annuation	Non cash benefits	Options	
Directors	$	$	$	$	$
Steve Dropulich	300,000	27,000	-	-	327,000
Stephen Zurhaar	60,000	-	-	-	60,000
Vincent Goss	42,000	-	-	-	42,000
Ranko Matic	42,000	-	-	-	42,000
Other KMP					
Shane Gonsalves	141,154	12,704	-	-	153,858
Harveer Singh	200,000	18,000	-	-	218,000
Total	785,154	57,704	-	-	842,858

Performance Income as a Proportion of Total Remuneration

No Bonuses or other performance income were given to any of the Directors or Specified Executives during the year.

Options Issued as Part of Remuneration

No options were issued as part of remuneration to any of the Directors or Specified Executives during the year ended 30 June 2013.

Shares Issued on Exercise of Remuneration Options

No ordinary shares were issued to any of the Directors or Specified Executives during the year in respect of previously issued remuneration options.

Engagement of Remuneration Consultants

During the financial year, Gerard Daniels was engaged by the remuneration committee to review the elements of KMP remuneration and provide recommendations.

Gerard Daniels was paid $7,700 for the remuneration recommendations relating to the review of the elements of KMP remuneration. The reports in relation to these recommendations were not completed until after year end and at the date of this report, final remuneration committee recommendations have not approved by the Board.

In order to ensure that Gerard Daniels' work is free from undue influence by KMP, the terms of the engagement, among other matters, required Gerard Daniels to report its recommendations to Chair of the Board, and not to any other members of KMP.

The Board is satisfied that the remuneration recommendations were free from undue influence by members of KMP to whom the recommendations relate

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the consolidated group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

	Position Held as at 30 June 2014 and any Change during the Year	Contract Details (Duration and Termination)	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration Not Related to Performance	
			Non-salary Cash-based Incentives %	Shares/ Units %	Options/ Rights %	Fixed Salary/ Fees %	Total %
Group KMP							
Stephen Zurhaar	Non-executive Chairman	N/A	-	-	-	100%	100%
Steve Dropulich	Managing Director	N/A	-	-	-	100%	100%
Vincent Goss	Executive Director	N/A	-	-	-	100%	100%
Ranko Matic	Non-Executive Director and Company Secretary	N/A	-	-	-	100%	100%
Shane Gonsalves	Chief Operations Officer	N/A	-	-	15%	85%	100%
Harveer Singh	Chief Financial Officer	N/A	-	-	-	100%	100%

Remuneration Expense Details for the Year Ended 30 June 2014

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

Table of Benefits and Payments for the Year Ended 30 June 2014 and 2013

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments				
		Salary, Fees and Leave	Profit Share and Bonus	Non-monetary	Other	Super	Other	Incentive Plans	LSL	Shares / Units	Options/ Rights	Cash-settled Share-based Payments	Term Benefits	Total
		$	$	$	$	$	$	$	$	$	$	$	$	$
Group KMP														
Stephen Zurhaar	2014	60,000	-	-	-	-	-	-	-	-	-	-	-	60,000
	2013	60,000	-	-	-	-	-	-	-	-	-	-	-	60,000
Steve Dropulich	2014	300,000	-	697	-	25,000	-	-	-	-	-	-	-	325,697
	2013	300,000	-	-	-	27,000	-	-	-	-	-	-	-	327,000
Vincent Goss	2014	246,000	-	3,962	-	20,812	-	-	-	-	-	-	-	270,774
	2013	42,000	-	-	-	-	-	-	-	-	-	-	-	42,000
Ranko Matic	2014	42,000	-	-	-	-	-	-	-	-	-	-	-	42,000
	2013	42,000	-	-	-	-	-	-	-	-	-	-	-	42,000
Shane Gonsalves	2014	300,000	-	3,915	-	25,000	-	-	-	-	58,273	-	-	387,188
	2013	141,154	-	-	-	12,704	-	-	-	-	-	-	-	153,858
Harveer Singh	2014	240,000	-	4,083	-	20,350	-	-	-	-	-	-	-	264,433
	2013	200,000	-	-	-	18,000	-	-	-	-	-	-	-	218,000
Total KMP	2014	1,188,000	-	12,657	-	91,162	-	-	-	-	58,273	-	-	1,350,092
	2013	785,154	-	-	-	57,704	-	-	-	-	-	-	-	842,858

Cash Bonuses, Performance-related Bonuses and Share-based Payments

The terms and conditions relating to options and bonuses granted as remuneration during the year to KMP are as follows:

	Remuneration Type	Grant Date	Grant Value $	Reason for Grant (Note 1)	Percentage Vested/Paid during Year % (Note 2)	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments
Group KMP									
Shane Gonsalves	Options	29/10/2013	58,273	1	100%	-	100%	30/6/18	58,273

Note 1 The options have been granted as part of a sign-on and performance incentive.

Note 2 The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All options were issued by Valmec Limited and entitle the holder to one ordinary share in Valmec Limited for each option exercised.

There have not been any alterations to the terms or conditions of any grants since grant date.

Options and Rights Granted as Remuneration

	Balance at Beginning of Year	Grant Details			Exercised		Lapsed		Balance at End of Year No.
		Issue Date	No.	Value $ (Note 1)	No.	Value $	No.	Value $	
Group KMP									
Shane Gonsalves	-	29/10/13	500,000	58,273	-	-	-	-	500,000
	-		500,000	58,273	-	-	-	-	500,000

	Balance at End of Year No.	Vested			Unvested
		Exercisable No.	Unexercisable No.	Total at End of Year No.	Total at End of Year No.
Group KMP					
Shane Gonsalves	500,000	-	-	-	500,000
	500,000	-	-	-	500,000

Note 1 The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

KMP Options

Details of options held by directors and key management personnel

2014	Balance 1/07/2013	Granted as remuneration	Acquired during the year	Balance 30/06/2014	Vested / Exercisable 30/06/2014	Vested/Not exercisable 30/06/2014
Directors						
Steve Dropulich	525,000*	-	1,000,000	1,525,000	1,525,000	-
Stephen Zurhaar	525,000*	-	3,000,000	3,525,000	3,525,000	-
Vincent Goss	525,000*	-	3,000,000	3,525,000	3,525,000	-
Ranko Matic	180,000*	-	-	180,000	180,000	-
Executives						
Shane Gonsalves	-	500,000	-	500,000	500,000	-
Harveer Singh	-	-	12,500	12,500	12,500	-
Total	**1,755,000**	**500,000**	**7,012,500**	**9,267,500**	**9,267,500**	**-**

*Balance after 1:40 consolidation on 15 October 2013. No other changes occurred before this date.

KMP Shareholdings

Number of shares held by Company directors and key management personnel

2014	Balance 01/07/2013	Received as remuneration	Options Exercised	Acquired during the year	Balance 30/06/2014
Directors					
Steve Dropulich	1,175,630*	-	-	1,440,000	2,615,630
Stephen Zurhaar	1,269,380*	-	-	4,320,000	5,589,380
Vincent Goss	1,170,896*	-	-	4,320,000	5,490,896
Ranko Matic	325,000*	-	-	-	325,000
Executives					
Shane Gonsalves	-	-	-	25,000	25,000
Harveer Singh	-	-	-	12,500	12,500
Total	**3,940,906**	**-**	**-**	**10,117,500**	**14,058,406**

*Balance after 1:40 consolidation on 15 October 2013. No other changes occurred before this date.

Other Equity-related KMP Transactions

Core Equities Pty Ltd, a company of which Steve Dropulich, Stephen Zurhaar and Vincent Goss are directors and shareholders have 4,225,000 shares and 2,620,000 options in the company.

Other Transactions with KMP and/or their Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

		2014	2013
		$000	$000
(i)	*Other related parties:*		
	Interest expense – Z Corp Property Group Pty Ltd*	108	7
	Interest expense – Core Equities Pty Ltd ***	99	210
	Rent and outgoings – Z Corp Holdings Pty Ltd*	137	-
	Other fees – Capital and Corporate Advisors Pty Ltd**	6	-

*Stephen Zurhaar is a director and a shareholder of Z Corp Holdings Pty Ltd and Z Corp Property Group Pty Ltd.

**Ranko Matic is a director and shareholder of Capital and Corporate Advisors Pty Ltd.

*** Steve Dropulich, Stephen Zurhaar and Vincent Goss are directors and shareholders of Core Equities Pty Ltd.

(ii) Amounts payable to related parties:

		2014	2013
(i)	*Loans from other related parties:*		
	Z Corp Holdings Pty Ltd*	1,600	850
	Other creditor***	-	800

*** Amount owing to Vincent Goss.

End of Remuneration Report

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Steve Dropulich
Managing Director
Dated: 29 August 2014

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Valmec Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 29 August 2014

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Major Offices in:
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Statement of Comprehensive Income for the Year Ended 30 June 2014

	Note	Consolidated	Valmec Australia Pty Ltd
		2014	2013
		$000	$000
Continuing operations			
Revenue	3	50,105	28,417
Cost of sale		(41,194)	(22,651)
Gross profit		8,911	5,766
Other income	3	462	333
Depreciation and amortisation expenses		(788)	(417)
Employee benefits expenses	4	(3,330)	(2,894)
Finance costs		(752)	(273)
Occupancy expenses		(605)	(423)
Professional fees		(482)	(337)
Other expenses	5	(1,288)	(1,008)
Profit before income tax		2,128	747
Tax benefit/(expense)	6	2,920	(150)
Net profit from continuing operations		5,048	597
Other comprehensive income		-	-
Total comprehensive income for the year		5,048	597
Earnings per share			
Basic earnings per share (cents)	9	16.41	3.31
Diluted earnings per share (cents)	9	16.41	3.31

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 June 2014

	Note	Consolidated 2014 $000	Valmec Australia Pty Ltd 2013 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	3,519	1,545
Trade and other receivables	11	11,984	7,164
Inventories	12	56	56
Other assets	13	93	54
TOTAL CURRENT ASSETS		15,652	8,819
NON-CURRENT ASSETS			
Property, plant and equipment	15	5,371	1,935
Deferred tax assets	6	3,092	-
Intangible assets	16	1,829	100
TOTAL NON-CURRENT ASSETS		10,292	2,035
TOTAL ASSETS		25,944	10,854
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	9,159	5,137
Borrowings	18	3,832	4,459
Current tax liabilities	19	40	150
Provisions	20	411	291
TOTAL CURRENT LIABILITIES		13,442	10,037
NON-CURRENT LIABILITIES			
Borrowings	18	3,925	193
Other provisions	20	113	127
TOTAL NON-CURRENT LIABILITIES		4,038	320
TOTAL LIABILITIES		17,480	10,357
NET ASSETS		8,464	497
EQUITY			
Issued capital	21	4,361	1,500
Reserve		58	-
Retained earnings		4,045	(1,003)
TOTAL EQUITY		8,464	497

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2014

	Note	Issued Capital $000	Reserve $000	Retained Earnings $000	Total $000
Valmec Australia Pty Ltd					
Balance at 1 July 2012		1,500	-	(1,600)	(100)
Comprehensive income					
Profit for the year		-	-	597	597
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	597	597
Balance at 30 June 2013		1,500	-	(1,003)	497
Consolidated					
Balance at 1 July 2013		1,500		(1,003)	497
Comprehensive income					
Profit for the year		-	-	5,048	5,048
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-		5,048	5,048
Transactions with owners, in their capacity as owners, and other transfers					
Shares issued during the year		3,131	-	-	3,131
Transaction costs		(270)	-	-	(270)
Share based payment		-	58	-	58
Total transactions with owners and other transfers		2,861	58	-	2,919
Balance at 30 June 2014		4,361	58	4,045	8,464

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2014

	Note	Consolidated 2014 $000	Valmec Australia Pty Ltd 2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		45,584	25,176
Payments to suppliers and employees		(45,538)	(27,075)
Interest received		41	297
Finance costs		(752)	(238)
Income tax paid		(389)	(53)
Net cash (used in) operating activities	25a	(1,054)	(1,893)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,129)	(500)
Acquisition of subsidiary, net cash acquired	25b	4,609	-
Net cash provided by/(used in) investing activities		3,480	(500)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayments)/Proceeds from borrowings, net		(452)	826
Net cash provided by/(used in) financing activities		(452)	826
Net increase/(decrease) in cash held		1,974	(1,567)
Cash and cash equivalents at beginning of financial year		1,545	3,112
Cash and cash equivalents at end of financial year	10	3,519	1,545

The accompanying notes form part of these financial statements

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 1: Summary of Significant Accounting Policies

The financial report consists of consolidated financial statements for Valmec Limited and its subsidiaries ("Group" or "Consolidated Group"). Valmec Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange. The Consolidated Financial Statements were authorised for issue in accordance with a resolution of the Directors on 29 August 2014. The comparative financial information presented as of and for the twelve months ended 30 June 2013 is for Valmec Australia Pty Ltd, prior to the reverse acquisition that occurred on 13 January 2014.

The accounting policies adopted are consistent with those of the previous period.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Reverse Acquisition Accounting

On 13 January 2014 the business combination between Valmec Limited and the Marcon Group (Valmec Australia Pty Ltd and Core Plant & Equipment Pty Ltd) became effective. This transaction has been accounted for using the guidelines as set out in Accounting Standard AASB 3 'Business Combinations'. In applying the requirements of the guidelines to the Group, both Valmec Limited, the legal acquirer, and Core Plant & Equipment Pty Ltd are deemed to be the accounting acquirees of Valmec Australia Pty Ltd (accounting acquirer). Valmec Limited presents consolidated financial statements on that basis. In accordance with Accounting Standard AASB 3 'Business Combinations', the transaction has been accounted for as a reverse acquisition which requires that:

- The assets and liabilities of the legal subsidiary, Valmec Australia Pty Ltd, shall be recognised and measured in the consolidated financial statements at its pre-combination carrying amounts.
- The retained earnings and other equity balances recognised in the consolidated financial statements shall be the retained earnings and other equity balances of the legal subsidiary, Valmec Australia Pty Ltd immediately before the business combination.
- The amount recognised as issued equity in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary Valmec Australia Pty Ltd immediately before the business combination, the fair value of the acquisition by the accounting acquirees.
- Comparative information presented in the consolidated financial statements shall be of Valmec Australia Pty Ltd .
- The equity structure is that of the legal parent including equity instruments issued by legal parent to affect the combination.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 1: Summary of Significant Accounting Policies

- The cost of acquisition is based on notional amount of shares that Valmec Australia Pty Ltd would need to issue to acquire majority interest of Valmec Limited shares that shareholders did not own after the acquisition, times the fair value of Marcon Group shares at acquisition date.
- The results for the year ended 30 June 2014 comprise of the results of Valmec Australia Pty Ltd and the results of Valmec Limited and Core Plant & Equipment Pty Ltd from 13 January 2014 to 30 June 2014.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Valmec Australia Pty Land all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 1: Summary of Significant Accounting Policies

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 1: Summary of Significant Accounting Policies

b. Income Tax

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Valmec Limited (the ‘head entity’) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the ‘separate taxpayer within group’ approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 1: Summary of Significant Accounting Policies

b. Income Tax (cont.)

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

c. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant’s ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity’s own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

d. Inventories

Inventories are measured at the lower of cost and net realisable value. 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.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 1: Summary of Significant Accounting Policies

e. Construction Contracts and Work in Progress

Construction work in progress is measured at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

f. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment- 2.5 to 20 years

Leasehold improvements- 2.5 to 10 years

Motor Vehicles – 5 years

Office equipment – 3 to 10 years

g. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

g. Financial Instruments (cont.)

Classification and subsequent measurement (cont.)

(iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

h. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

i. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

i. Employee Benefits (cont.)

Other long-term employee benefits (cont.)

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

Retirement benefit obligations

Defined contribution superannuation benefits

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% (2013: 9.25%) of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

Equity-settled compensation

The Group operates an employee option plan. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

j. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Notes to the Financial Statements for the Year Ended 30 June 2014

k. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

l. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

Revenue relating to construction activities is detailed at Note 1(e).

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax.

m. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

n. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements for the Year Ended 30 June 2014

p. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO 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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

r. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000.

s. New and revised AASB's affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

Notes to the Financial Statements for the Year Ended 30 June 2014

t. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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

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

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

t. Critical Accounting Estimates and Judgments (cont.)

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Construction contracts

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of overall contract. Where a loss is expected to occur from a construction contract, the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

u. New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

u. New Accounting Standards for Application in Future Periods (cont.)

– AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

– Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

  Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

– AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

– AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

  AASB 2013–4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

– AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

  AASB 2013–5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

Notes to the Financial Statements for the Year Ended 30 June 2014

u. New Accounting Standards for Application in Future Periods (cont.)

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of vesting conditions and market condition and adds definitions for performance condition and service condition in AASB 2 Share-based Payment; Amends AASB 3 Business Combinations to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 Operating Segments to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 Fair Value Measurement and the amending of AASB 139 Financial Instruments: Recognition and Measurement and AASB 9 Financial Instruments did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 Property, Plant and Equipment and AASB 138 'Intangible Assets, when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the meaning of effective IFRSs in AASB 1 'First-time Adoption of Australian Accounting Standards; Clarifies that AASB 3 Business Combination excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 Fair Value Measurement includes all contracts accounted for within the scope of AASB 139 Financial Instruments: Recognition and Measurement or AASB 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 Financial Instruments: Presentation; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB‘3 'Business Combinations and investment property as defined in AASB 140 Investment Property requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 2: Parent Information

	2014 $000	2013 $000
The following information has been extracted from the books and records of the legal parent entity - Valmec Limited		
Statement of Financial Position		
ASSETS		
Current assets	1,080	1,134
Non-current assets	6,150	100
TOTAL ASSETS	7,230	1,234
LIABILITIES		
Current liabilities	2,773	218
Non-current liabilities	2,500	100
TOTAL LIABILITIES	5,273	318
EQUITY		
Issued capital	6,265	3,404
Reserve	110	52
Retained earnings	(4,418)	(2,539)
TOTAL EQUITY	1,957	916
Statement of Comprehensive Income		
(Loss) for the year	(1,879)	(1,127)
Other Comprehensive (loss) for the year	-	-
Total comprehensive (loss) for the year	(1,879)	(1,127)

Contingent Liabilities and Capital expenditure

There are no contingent liabilities for the parent entity for both financial years ended 30 June 2014 and 30 June 2013 apart from those already disclosed in Note 23.

The parent entity did not have capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for both financial years 30 June 2014 and 30 June 2013.

Guarantees

During the reporting period, Valmec Limited entered into a deed of cross guarantee with its subsidiaries, Valmec Australia Pty Ltd and Core Plant and Equipment Pty Ltd. Refer to Note 14c for further details.

Notes to the Financial Statements for the Year Ended 30 June 2014

	Note	2014 $000	2013 $000

Note 3: Revenue and Other Income

	Note	2014 $000	2013 $000
Revenue from continuing operations			
Sales revenue:			
– provision of services		50,105	28,417
		50,105	28,417
Other revenue:			
– interest received		41	36
– other revenue		223	297
		264	333
Other income:			
– gain on subsidiary accounted for under common control		198	-
Total other income		462	333

Note 4: Employee benefits expenses

	Note	2014 $000	2013 $000
Salaries and wages		2,310	2,249
Superannuation		264	191
Other employee benefits		756	454
		3,330	2,894

Note 5: Other expenses

	Note	2014 $000	2013 $000
Other expenses mainly comprises of the following:			
Insurance expenses		528	620
Office and computer software		168	80
Telephone expenses		110	102
Share-based payments expenses		58	-

Notes to the Financial Statements for the Year Ended 30 June 2014

	Note	2014 $000	2013 $000

Note 6. Tax Expense

	2014 $000	2013 $000

(a) Income tax recognised in statement of comprehensive income

Tax (income) / expense comprises:

	2014 $000	2013 $000
- Current tax expense	172	150
- Deferred tax expense	(3,092)	-
Total tax (income) / expense	(2,920)	150

(b) Recognition of income tax expense to prima facie tax payable

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2014 $000	2013 $000
Profit from operations	2,128	747
Income tax expense calculated at 30%	638	224
Add: tax effect of:		
- Non-deductible expenses/ Non-allowable expenses	36	(74)
- Deferred tax not previously brought to account	(3,016)	-
- Permanent difference arising from consolidation	(59)	-
- Over-provision for income tax in prior year	(519)	
Total tax (income) / expense recognised in profit or loss	(2,920)	150
The applicable weighted average effective tax rates (payable)	-%	20%
Balance of franking account at year end	Nil	Nil

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

(c) Recognised deferred tax assets and liabilities

	2014 $000 Current Income Tax	2014 $000 Deferred Income Tax	2013 $000 Current Income Tax	2013 $000 Deferred Income Tax
Opening balance	150	-	-	-
Charged to income	172	-	150	-
Other/payments	(282)	3,092	-	-
Closing balance	40	3,092	150	-

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 6: Tax Expense (Cont.)

	2014 $000 Deferred Income Tax	2013 $000 Deferred Income Tax
Amounts recognised on the consolidated statement of financial position:		
Deferred tax asset	3,092	-
Deferred tax liability	-	-
	3,092	-

(i) Deferred tax assets		
Provisions	260	-
Income tax losses	2,832	-
Gross deferred tax assets	3,092	-
Set-off of deferred tax liabilities	-	-
Net deferred tax assets	3,092	-

Note 7: Key Management Personnel Compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2014 $000	2013 $000
Short-term employee benefits	1,201	785
Post-employment benefits	91	57
Share-based payments	58	-
Total KMP compensation	1,350	842

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 7: Key Management Personnel Compensation (Cont.)

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

	2014 $000	2013 $000
Note 8: Auditors' Remuneration		
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	48	37
– other services	-	-
	48	37

Note 9: Earnings per Share

		2014 $000	2013 $000
a.	Reconciliation of earnings to profit or loss:		
	Profit	5,048	597
	Earnings used to calculate basic EPS	5,048	597
	Earnings used in the calculation of dilutive EPS	5,048	597

		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	30,726,026	18,000,000
	Weighted average number of dilutive options outstanding Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	-	-
		30,726,026	18,000,000

Notes to the Financial Statements for the Year Ended 30 June 2014

	Note	2014 $000	2013 $000
Note 10: Cash and Cash Equivalents			
Cash at bank and on hand		3,519	1,545
		3,519	1,545
Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		3,519	1,545
		3,519	1,545

	Note	2014 $000	2013 $000
Note 11: Trade and Other Receivables			
CURRENT			
Trade receivables		4,536	4,492
Provision for impairment		-	-
Other receivable		2	39
		4,538	4,531
Amounts due from customers for construction contracts	11a	7,446	2,633
Provision for impairment		-	-
		7,446	2,633
Total current trade and other receivables		11,984	7,164

	Note	2014 $000	2013 $000
a. Construction Contracts			
Contract costs incurred		41,194	22,651
Recognised profits		8,911	5,766
		50,105	28,417
Progress billings		(43,645)	(25,863)
		6,460	2,554
Amounts due from customers for contract work		6,460	2,554
Amounts due to customers for contract work		-	-
		6,460	2,554
Retentions on construction contracts in progress		986	79
Progress billings and advances received and receivable on construction contracts in progress		7,446	2,633

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 11: Trade and Other Receivables (Cont.)

b. Provision for Impairment of Receivables

Movement in the provision for impairment of receivables is as follows:

		Note	Opening Balance 01/07/2012 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30/06/2013 $000
(i)	Current trade receivables		-	-	-	-
			-	-	-	-

		Note	Opening Balance 01/07/2013 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30/06/2014 $000
(ii)	Current trade receivables		-	65	(65)	-
			-	65	(65)	-

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has no credit risk exposures outside of Australia given that there are no operations outside of this region.

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

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 11: Trade and Other Receivables (Cont.)

	Gross Amount $000	Past Due and Impaired $000	Past Due but Not Impaired (Days Overdue) < 30 $000	31–60 $000	61–90 $000	> 90 $000	Within Initial Trade Terms $000
2014							
Trade and other receivables	4,538	-	-	259	-	-	4,279
Amounts due from customers for construction contracts	7,446	-	-	-	-	-	7,446
Total	11,984	-	-	259	-	-	11,725
2013							
Trade and other receivables	4,531	-	68	-	97	5	4,361
Amounts due from customers for construction contracts	2,633	-	-	-	-	-	2,633
Total	7,164	-	68	-	97	5	6,994

c. Financial Assets Classified as Loans and Receivables

	Note	2014 $000	2013 $000
Trade and other receivables:			
– total current		11,984	7,164
– total non-current		-	-
		11,984	7,164
Less construction contracts in progress	11a	(7,446)	(2,633)
		4,538	4,531

Note 12: Inventories

	2014 $000	2013 $000
CURRENT		
At cost:		
Raw materials and stores	56	56

Note 13: Other Assets

	2014 $000	2013 $000
CURRENT		
Prepayments	93	54

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 14: Interests in Subsidiaries

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2014	2013
		%	%
Valmec Australia Pty Ltd (formerly Marcon Pty Ltd)	Australia	100	-
Core Plant and Equipment Pty Ltd	Australia	100	-
Valmec Holdings Pty Ltd	Australia	100	100
Peppers & Rogers Group Pty Limited	Australia – dormant	55	55
Connxion Networks Limited	Hong Kong – dormant	100	100
Connxion Atwork Limited (formerly Cardcorp Asia Limited)*	Dormant	-	100
Connxion Asia Limited*	Dormant	-	100
Peppers & Rogers Group Asia Pacific Ltd*	Dormant	-	55

*Deregistered during the year.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

b. Acquisition of Controlled Entities

On 13 January 2014, Valmec Limited, the legal parent, completed the acquisition of Valmec Australia Pty Ltd and Core Plant and Equipment Pty Ltd. The acquisition was accounted for as business combination in accordance with AASB 3 Business Combinations using the principles of reverse acquisition accounting. The accounting acquirer was Valmec Australia Pty Ltd and accounting acquirees were Valmec Limited and Core Plant & Equipment Pty Ltd. Further to that, the acquisition of Core Plant & Equipment Pty Ltd by Valmec Australia Pty Ltd was accounted for as common control accounting.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 14: Interests in Subsidiaries (Cont.)

The fair value of the assets and liabilities of Valmec Limited acquired at acquisition date are as follows:

	Fair Value $000
Purchase consideration:	
– 8,661,582 shares to be issued at fair value	583
– contingent consideration	1,149
	1,732
Less:	
Cash and cash equivalents	4,602
Trade and other receivables	28
Trade and other payables	(4,617)
Provision	(10)
Identifiable assets acquired and liabilities assumed of Valmec Limited	3
Goodwill	1,729

The transaction also includes contingent consideration (details are included in the Company's announcement on 2 September 2013) which meets the definition of a financial liability. This has been disclosed at Note 17.

The assets and liabilities of Core Plant & Equipment Pty Ltd accounted for as common control accounting as follows:

	$000
Cash and cash equivalents	7
Trade and other receivables	202
Plant and equipment	2,839
Borrowings	(1,798)
Trade and other payables	(943)
Provision	(109)
Gain on acquisition	198

Revenue of Valmec Limited and Core Plant & Equipment Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 13 January 2014 amounted to $94,000. Loss after tax of Valmec Limited and Core Plant & Equipment Pty Ltd included in consolidated profit of the Group of $920,350 due to tax consolidation effected by the group since the acquisition date.

Had the results of Valmec Limited and Core Plant & Equipment Pty Ltd been consolidated from 1 July 2013, revenue of the consolidated group would have been $50,109,000 and consolidated profit would have been $3,734,000 for the year ended 30 June 2014.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 14: Interests in Subsidiaries (Cont.)

c. Deed of Cross Guarantee

During the reporting period, Valmec Limited entered into a deed of cross guarantee with its subsidiaries Valmec Australia Pty Ltd and Core Plant & Equipment Pty Ltd and relief was obtained from preparing financial statements for Valmec Australia Pty Ltd and Core Plant & Equipment Pty Ltd under ASIC Class Order 98/1418. Due to the other entities in the consolidated Group being dormant, the financial information required (being the statement of comprehensive income, statement of changes in equity and the statement of financial position) for the Deed of Cross Guarantee note are materially the same as the information contained in this consolidated financial report.

Note 15: Property, Plant and Equipment

	Note	2014 $000	2013 $000
Leasehold improvement			
At cost		394	194
Accumulated depreciation		(47)	(11)
Total		347	183
Plant and equipment			
At cost		5,342	1,075
Accumulated depreciation		(1,471)	(218)
Total		3,871	857
Motor vehicles			
At cost		971	828
Accumulated depreciation		(381)	(207)
Total		590	621
Office equipment			
At cost		742	348
Accumulated depreciation		(179)	(74)
Total		563	274
Total property, plant and equipment		5,371	1,935

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 15: Property, Plant and Equipment (Cont.)

(i) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold improvement $000	Plant and Equipment $000	Motor Vehicles $000	Office Equipment $000	Total $000
Consolidated Group:					
Balance at 1 July 2012	45	770	849	265	1,929
Additions	145	275	-	60	480
Disposals	-	-	(57)	-	(57)
Depreciation expense	(7)	(188)	(171)	(51)	(417)
Balance at 30 June 2013	183	857	621	274	1,935
Additions	-	860	143	394	1,397
Disposals	-	-	-	-	-
Additions through business combinations	185	2,642	-	-	2,827
Depreciation expense	(21)	(488)	(174)	(105)	(788)
Balance at 30 June 2014	347	3,871	590	563	5,371

Note 16: Intangible Assets

	Note	2014 $000	2013 $000
Goodwill:			
Cost		1,829	100
Accumulated impairment losses		-	-
Net carrying amount		1,829	100
Total intangibles		1,829	100

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 16: Intangible Assets (Cont.)

	Goodwill $000
Consolidated Group:	
30 June 2013	
Balance at the beginning of the year	100
Impairment losses	-
Closing value at 30 June 2013	100
30 June 2014	
Balance at the beginning of the year	100
Acquisitions through business combinations	1,729
Impairment losses	-
Closing value at 30 June 2014	1,829

Impairment disclosures

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments:

	2014 $000	2013 $000
Services to the oil, gas and resources sectors segment	1,829	100
Total	1,829	100

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period with the period.

The following key assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Services to the oil, gas and resources sectors segment	1%	18.21%

Management has based the value-in-use calculations on budgets for the reporting segment, inclusive of a terminal value. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

No reasonable change in any of the key assumptions would result in an impairment.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 17: Trade and Other Payables

	Note	2014 $000	2013 $000
CURRENT			
Unsecured liabilities:			
Trade payables		5,048	2,356
Sundry payables and accrued expenses		3,032	2,781
Contingent consideration	14	1,079	-
		9,159	5,137
Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
– total current		9,159	5,137
– total non-current		-	-
		9,159	5,137
Less: construction contract advances and payables		-	-
Less: other payables (net amount of GST payable)		-	-
Financial liabilities as trade and other payables		9,159	5,137

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 18: Borrowings

	Note	2014 $000	2013 $000
CURRENT			
Lease liability - secured (vi)		682	50
Convertible notes – Class A (i) - unsecured		1,500	-
Related party loan (ii)- unsecured		1,600	850
Other borrowings (iii) - unsecured		50	59
Convertible notes – unsecured (iv)		-	3,500
		3,832	4,459
NON-CURRENT			
Lease liability – secured (vi)		1,425	193
Convertible notes – Class B (v) - unsecured		2,500	-
Related party loan (ii) – unsecured		-	
Total non-current borrowings		3,925	193
Total borrowings		7,757	4,652

(i) Class A Convertible Notes have a have a face value of $0.20 each an interest rate of 12% pa. Each Note converts into 1 Share (i.e. each Share has an issue price of $0.20). The maturity date of Class A notes is 30 September 2014.

(ii) Related party loan with Z Corp Pty Ltd has an interest rate of 8.2%.

(iii) Relates to credit card balances and insurance premium funding.

(iv) Related party loan with Core Equity Pty Ltd has an interest rate of 6%.

(v) Class B Convertible Notes have a face value of $0.20 each an interest rate of 12% pa. Each Note converts into 1 Share (i.e. each Share has an issue price of $0.20). The maturity date of Class B notes is 30 September 2015.

(vi) Hire purchase agreements have an average term of 3 to 6 years. The hire purchase liability is secured by a charge over the underlying hire purchase assets.

Refer to Note 28 for detailed related party transactions.

Note 19: Current Tax provision

CURRENT		
Income tax payable	40	150

Notes to the Financial Statements for the Year Ended 30 June 2014

	Employee Benefits	
	2014	2013
Note 20: Provisions	**$000**	**$000**
Consolidated Group		
Opening balance at July	418	509
Additional provisions	754	688
Amounts used	(648)	(779)
Unused amounts reversed	-	-
Balance at June	524	418
Analysis of total provisions		
Current	411	291
Non-current	113	127
	524	418

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

Employee benefits obligation expected to be settled after 12 months	247	174

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(i).

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 21: Issued Capital

	2014 $000	2014 No.	2013 $000	2013 No.
At the beginning of the reporting period	1,500	1,500,000	1,500	1,500,000
13/1/2014 Acquisition of Valmec Australia Pty Ltd				
– Elimination of existing Valmec Australia Pty Ltd shares	-	(1,500,000)	-	-
– Existing Valmec Limited share on acquisition	-	14,072,139	-	-
– Issue of Valmec Limited shares on acquisition of Valmec Australia Pty Ltd	583	18,000,000	-	-
– Issue of shares	2,548	12,740,000	-	-
Share issue costs	(270)	-	-	-
At the end of the reporting period	4,361	44,812,139	1,500	1,500,000

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

a. Options

For information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report.

b. Capital Management

The Group controls its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

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

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 21: Issued Capital (Cont.)

	Note	2014 $000	2013 $000
Total borrowings	17,18	11,916	9,789
Less cash and cash equivalents	10	(3,519)	(1,545)
Net debt		8,397	8,244
Total equity		8,464	1,500
Total capital		16,861	9,744
Gearing ratio		50%	85%

Note 22: Commitments

		2014 $000	2013 $000
a.	**Finance Lease Commitments**		
	Payable – minimum lease payments:		
	– not later than 1 year	775	67
	– between 2 and 5 years	1,501	204
	Minimum lease payments	2,276	271
	Less future finance charges	(169)	(28)
	Present value of minimum leave payments	2,107	243
b.	**Operating Lease Commitments**		
	Non-cancellable operating leases contracted for but not recognised in the financial statements		
	Payable – minimum lease payments:		
	– not later than 1 year	443	320
	– between 2 and 5 years	199	293
		642	613

The property leases are non-cancellable leases with 3-5 year terms, with rent payable monthly in advance.

Note 23: Contingent Liabilities and Contingent Assets

The consolidated entity has given bank guarantees as at 30 June 2014 of $3,699,941 (2013: $1,246,959) to various customers.

Cross guarantee between Valmec Limited and subsidiaries is described in Note 14(c). No deficiency of net assets existed in the controlled entity at 30 June 2014.

Other than the above, there were no material contingent liabilities or assets as at 30 June 2014 and 30 June 2013.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 24: Operating Segments

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographic factors and have determined that there is only one relevant business segment being, Valmec Australia Pty Ltd, which provides services to the oil, gas and resources sectors in Australia.

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located. Operating revenues of approximately $19,364,000 (2013 - $6,220,000) are derived from a single external customer.

All the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

Note 25: Cash Flow Information

		Note	2014 $000	2013 $000
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**			
	Profit after income tax		5,048	597
	Non-cash flows in profit:			
	– share based payment		58	-
	– depreciation and amortisation		788	417
	– gain on acquisition		(197)	-
	– re-measurement of contingent liabilities		(71)	
	– net gain on disposal of property, plant and equipment		-	17
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
	– trade and term receivables		(4,632)	(3,243)
	– prepayments		(44)	(26)
	– trade payables and accruals		1,244	304
	– income taxes payable		(218)	97
	– increase/(decrease) in provisions		61	(56)
	– deferred tax assets		(3,091)	-
	Cash flow (used in)/provided by operating activities		(1,054)	(1,893)

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 25: Cash Flow Information (Cont.)

b. **Acquisition of Entities**

During the year, the following subsidiaries were acquired. Details of the transactions are:

VALMEC LIMITED

The fair value of the assets and liabilities of Valmec Limited acquired at acquisition date are as follows:

	Fair Value $000
Purchase consideration:	
– 8,661,582 shares to be issued at fair value	583
– contingent consideration	1,149
	1,732
Less:	
Cash and cash equivalents	4,602
Trade and other receivables	28
Trade and other payables	(4,617)
Provision	(10)
Identifiable assets acquired and liabilities assumed of Valmec Limited	3
Goodwill	1,729

CORE PLANT AND EQUIPMENT PTY LTD

The assets and liabilities of Core Plant & Equipment Pty Ltd were accounted for as common control accounting as follows:

	$000
Cash and cash equivalents	7
Trade and other receivables	202
Plant and equipment	2,839
Borrowings	(1,798)
Trade and other payables	(943)
Provision	(109)
Gain on acquisition	198

c. **Non-cash Financing and Investing Activities**

- 18,000,000 ordinary shares were issued at $0.20 as part of the consideration for the purchase of the Marcon Group.
- During the year the consolidated group acquired plant and equipment with an aggregate value of $258,984 (2013: $nil) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 25: Cash Flow Information (Cont.)

		Note	2014 $000	2013 $000
d.	**Credit Standby Arrangements with Banks**			
	Credit facility		11,150	-
	Amount utilised		(1,657)	-
			9,493	-

The major facilities are summarised as follows:

Bank overdraft:

Bank overdraft facilities have been arranged with an Australian bank to replace existing facilities provided by Director related entities.

General terms and conditions are set and agreed to annually.

Interest rates are variable and subject to adjustment.

Security:

The facilities are secured over the first registered general securities interest over the consolidated entity assets.

Note 26: Share-based Payments

On 29 October 2013, 500,000 share options were granted to a KMP under the Valmec Limited employee option plan to take up ordinary shares at an exercise price of $0.25 each. The options are exercisable on or before 30 June 2018. The options hold no voting or dividend rights and are not transferable. The company established the Valmec Limited Employee Option Plan on 3 October 2013 as an employee incentive scheme. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board.

A summary of the movements of all company employee options issues is as follows:

	Number	Weighted Average Exercise Price
Options outstanding as at 1 July 2012	-	-
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2013	-	-
Consolidated 1:40	-	-
Granted	500,000	0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2014	500,000	0.25
Options exercisable as at 30 June 2014	500,000	0.25
Options exercisable as at 30 June 2013	-	-

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 26: Share-based Payments (Cont.)

(iv) The following table sets out the assumptions made in determining the fair value of the options granted during the financial year:

	Options Granted 29 October 2013
Expected volatility (%)	76.90
Risk free interest rate (%)	3.41
Weighted average expected life of options (years)	4.7
Expected dividends	Nil
Option exercise price (cents)	25
Share price at grant date (cents)	20
Fair value of option (cents)	11.65
Number of options	500,000
Expiry date	30 June 2018
Vesting date	29 October 2013

The weighted average remaining contractual life of options outstanding at year-end was 4 years. The exercise price of outstanding shares at the end of the reporting period was $0.25.

These shares were issued as compensation to key management personnel of the Group. Further details are provided in the directors' report.

Included under employee benefits expense in the statement of profit or loss is $58,000, which relates to equity-settled share-based payment transactions (2013: $Nil).

Note 27: Events after the Reporting Period

For the purposes of the Share Sale Agreement between Valmec Limited and the Marcon Group dated 30 August 2013, the number of Contingent Consideration Shares payable to the Vendors in respect of the Marcon Group 2014 Earnings before Interest and Tax (EBIT) of $5,232,082 are 33,296,878 shares.

In accordance with the waiver granted by ASX of ASX Listing Rule 10.13.3 in respect of the Contingent Consideration Shares, the allotment of shares to the Vendors will occur no later than 30 October 2014.

Other than the above the directors are not aware of any other significant events since the end of the reporting period.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 28: Related Party Transactions

Related Parties

a. The Group's main related parties are as follows:

(i) Entities exercising control over the Group:

The ultimate parent entity that exercises control over the Group is Valmec Limited, which is incorporated in Australia.

(ii) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6.

(iii) Entities subject to significant influence by the Group:

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

For the years ended 30 June 2014 and 30 June 2013, there are no entities which are subject to significant influence by the Group.

(iv) Other related parties:

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

b. Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

	2014 $000	**2013 $000**
(i) Other related parties:		
Interest expense – Z Corp Property Group Pty Ltd*	108	10
Interest expense – Core Equities Pty Ltd**	99	210
Rent and outgoings – Z Corp Holdings Pty Ltd*	137	-
Other fees – Capital and Corporate Advisors Pty Ltd***	6	-

*Stephen Zurhaar is a director and a shareholder of Z Corp Holdings Pty Ltd and Z Corp Property Group Pty Ltd.
**Steve Dropulich, Stephen Zurhaar, and Vincent Gross are directors and shareholders of Core Equities Pty Ltd.
***Ranko Matic is a director and shareholder of Capital and Corporate Advisors Pty Ltd.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 28: Related Party Transactions (Cont.)

		2014 $000	2013 $000
c.	**Amounts payable to related parties:**		
(i)	*Loans from other related parties:*		
	Core Equities Pty Ltd	-	3,500
	Trade creditor****	6	-
	Z Corp Property Group Pty Ltd	1,600	850
	Other creditor*****	-	800

**** Amount due to Ranko Matic

*****Amount due to Vincent Goss.

Note 29: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139: Financial Instruments: Recognition and Measurement as detailed in the accounting policies to these financial statements, are as follows:

	Note	2014 $000	2013 $000
Financial assets			
Cash and cash equivalents	10	3,519	1,545
Loans and receivables	11	11,984	7,164
Total financial assets		15,503	8,709
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	17	9,159	5,137
– borrowings	18	7,757	4,652
Total financial liabilities		16,916	9,789

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instruments are disclosed in Note 1.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 29: Financial Risk Management (Cont.)

Financial risk management objectives

The Board of Directors has responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to reduce risk as far as possible without unduly affecting the Group's competiveness and flexibility. Further details regarding these policies are set out below:

a. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligations resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

There is no concentration of credit risk with respect to current and non-current receivables as the Group has a number of large customers which are Australian listed as well as internationally dispersed. Group policy is that sales are only made to customers that are credit worthy. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA–. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	2014 $000	2013 $000
Cash and cash equivalents:			
– AA rated		3,519	1,545
	10	3,519	1,545

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 29: Financial Risk Management (Cont.)

b. Liquidity risk

A liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, investing surplus cash with major financial institutions and by matching the maturity profiles of financial assets and liabilities.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Consolidated Group	$000	$000	$000	$000	$000	$000	$000	$000
Financial liabilities due for payment								
Convertible note loans	1,500	3,500	2,500	-	-	-	4,000	3,500
Trade and other payables	9,159	5,139	-	-	-	-	9,159	5,139
Amounts payable to related parties	1,600	850	-	-	-	-	1,600	850
Finance lease liabilities	682	50	1,425	193	-	-	2,107	243
Total contractual outflows	12,941	9,539	3,925	193	-	-	16,866	9,732
Less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	12,941	9,539	3,925	193	-	-	16,866	9,732
Financial assets – cash flows realisable								
Cash and cash equivalents	3,519	1,545	-	-	-	-	3,519	1,545
Trade, term and loan receivables								
– contractual inflows	4,537	4,531	-	-	-	-	4,537	4,531
– contractual outflows	7,446	2,633	-	-	-	-	7,446	2,633
Total anticipated inflows	15,502	8,709	-	-	-	-	15,502	8,709
Net (outflow)/ inflow on financial instruments	2,561	(830)	-	-	-	-	(1,364)	(1,023)

c. Market risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The group is not exposed to foreign exchange risk at reporting date.

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 29: Financial Risk Management (Cont.)

d. Interest rate risk

Exposure to interest rate risk arises on financial assets and liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect cash flows or the fair value of fixed rate financial instruments.

The net effective variable interest rate borrowings (ie. Unhedged debt) exposes the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities.

The Group monitors its interest rate exposure continuously.

Interest rate risk Analysis

	Weighted average effective interest rate	Less than 1 year	1 – 5 years	Over 5 years	Total
	%	$'000	$'000	$'000	$'000
30 June 2014					
Financial assets					
Cash and cash equivalents	2.5%	3,519	-	-	3,519
Non-interest bearing - trade and other receivables	-	11,984	-	-	11,984
		15,503	-	-	15,503
Financial liabilities					
Non-interest bearing - trade and other payables	-	9,159	-	-	9,159
Borrowings	9.6%	3,832	3,925	-	7,757
		12,991	3,925	-	16,916
30 June 2013					
Financial assets					
Cash and cash equivalents	2.5%	1,545	-	-	1,545
Non-interest bearing - trade and other receivables	-	7,164	-	-	7,164
		8,709	-	-	8,709
Financial liabilities					
Non-interest bearing - trade and other payables	-	5,137	-	-	5,137
Borrowings	6.04%	4,458	193	-	4,651
		9,595	193	-	9,788

Notes to the Financial Statements for the Year Ended 30 June 2014

Note 29: Financial Risk Management (Cont.)

The interest rate sensitivity

The effect on profit and equity as a result of changes in interest rates on net financial assets is immaterial.

Fair Values

The fair values of financial assets and financial liabilities are equal to their carrying amounts as presented in the statement of financial position.

Note 28: Company Details

The registered office of the company is:

Level 1
12 Kings Park Road
West Perth WA 6005

The principal place of business is:

32 Allott Way
Maddington WA 6109

Directors' Declaration

In accordance with a resolution of the directors of Valmec Limited, the directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
   a. comply with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; 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 consolidated 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; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

The company and wholly owned subsidiaries, Valmec Australia Pty Ltd and Core Plant and Equipment Pty Ltd, have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

Steve Dropulich
Managing Director
Dated: 29 August 2014

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
VALMEC LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Valmec Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in: Perth, Sydney, Melbourne, Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is a member of the RSM network. Each member of the RSM network is an independent accounting and advisory firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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Quality
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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 Valmec 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 Valmec 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.

Report on the Remuneration Report

We have audited the Remuneration Report included within 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 Valmec Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 29 August 2014

Additional Information for Listed Public Companies

The following information is current as at 13 August 2014:

1. Shareholding

a. Distribution of Shareholders

Category (size of holding):	Number of holders
1 – 1,000	586
1,001 – 5,000	108
5,001 – 10,000	59
10,001 – 100,000	282
100,001 and over	51
	1,086

b. The number of shareholdings held in less than marketable parcels is 649.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder:	Number Ordinary
1. Steve Dropulich & associated entities	2,615,630
2. Stephen Zurhaar & associated entities	5,589,380
3. Vincent Goss & associated entities	5,490,896
4. Stephen Lazarakis & associated entities	5,660,380
5. Jasforce Pty Ltd	2,637,010

d. Voting Rights

The voting rights attached to ordinary shares are governed by the Constitution of the Company. On a show of hands every person present who is a Member or representative of a Member shall have one vote on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

e. 20 Largest Shareholders – Ordinary Shares

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.	Z CORP PROPERTY GROUP PTY LTD <CPA INVESTMENT A/C>	5,389,380	12.03%
2.	STELDAN INVESTMENTS PTY LTD <STELDAN INVESTMENT>	5,045,000	11.26%
3.	MECON (WA) PTY LTD <VAG>	4,989,380	11.13%
4.	CORE EQUITIES PTY LTD <CORE INVESTMENT>	3,600,000	8.03%
5.	CORTINA HOLDINGS PTY LTD <S&D INVESTMENT A/C>	1,959,380	4.37%
6.	JH NOMINEES AUSTRALIA PTY LTD <HARRY FAMILY SUPER FUND A/C>	1,316,067	2.94%
7.	JASFORCE PTY LTD	945,923	2.11%
8.	JASFORCE PTY LTD <ALEX WAISLITZ RETIREMENT>	888,243	1.98%
9.	JASFORCE PTY LTD <ALEX WAISLITZ RETIREMENT PLAN>	781,299	1.74%
10.	MR KEVIN TAY HAK-LEONG	699,391	1.56%

e. 20 Largest Shareholders – Ordinary Shares

Name		Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
11.	CORE EQUITIES PTY LTD	625,000	1.39%
12.	MS KYLIE ANNE BALDACCHINO	604,263	1.35%
13.	SPINITE PTY LTD	568,476	1.27%
14.	MR MICHAEL ROBERT BEECH & MRS ROBIN LYNN BEECH <MICHAEL BEECH SUPER FUND A/C>	350,000	0.78%
15.	MR LARRY KEITH FOURACRES & MRS TRUDY LEE FOURACRES <PIMELIA SUPER FUND A/C>	317,500	0.71%
16.	GLENEAGLE SECURITIES (AUST) PTY LTD <HOUSE PROP A/C>	275,978	0.62%
17.	CATAALNA PTY LTD <MATIC SUPER FUND>	275,000	0.61%
18.	STELDAN INVESTMENTS PTY LTD <STELDAN SUPERANNUATION FUND>	250,000	0.56%
19.	BAILUP PASTORAL CO PTY LTD <WESTMINSTER SUPER FUND>	250,000	0.56%
20.	MR ANTHONY GRANT MELVILLE & MRS ELAINE SANDRA MELVILLE <MELVILLE FAMILY SUPER A/C>	250,000	0.56%
		29,854,788	**66.62%**

20 Largest Shareholders – Listed Options

Name		Number of Listed Options Held	% Held of Listed Options
1	JH NOMINEES AUSTRALIA PTY LTD <HARRY FAMILY SUPER FUND A/C>	1,316,067	10.33%
2	JASFORCE PTY LTD	945,923	7.42%
3	CLAPSY PTY LIMITED <SUPERANNUATION FUND A/C>	364,787	2.86%
4	MR MICHAEL ROBERT BEECH & MRS ROBIN LYNN BEECH <MICHAEL BEECH SUPER FUND A/C>	350,000	2.75%
5	MR NASER KERIMI & MRS DEBORAH LYNN KERIMI <KERIMI SUPER FUND A/C>	250,000	1.96%
5	KERIMI INVESTMENTS PTY LTD	250,000	1.96%
6	JASPER HILL RESOURCES PTY LTD <SUPERANNUATION A/C>	234,508	1.84%
7	MS KYLIE ANNE BALDACCHINO	216,008	1.70%
8	MR ANTHONY GRANT MELVILLE & MRS ELAINE SANDRA MELVILLE <MELVILLE FAMILY SUPER A/C>	200,000	1.57%
8	AUTUMNSKIES PTY LTD <TRADING A/C>	200,000	1.57%
8	CIDEL BANK & TRUST INC <THE ANNE AVENUE A/C>	200,000	1.57%
8	CARDY & COMPANY PTY LIMITED	200,000	1.57%
9	MR IAN THOMPSON & MR PETER RANDAL THOMPSON <THOMPSON FAMILY S/F A/C>	182,902	1.44%

20 Largest Shareholders – Listed Options

	Name	Number of Listed Options Held	% Held of Listed Options
10	MR GEOFF REYNOLDS	150,000	1.18%
10	MR NICHOLAS MILENTIS	150,000	1.18%
10	MR THOMAS MILENTIS	150,000	1.18%
11	T T NICHOLLS PTY LTD <SUPERANNUATION ACCOUNT>	132,254	1.04%
12	GLENEAGLE SECURITIES (AUST) PTY LTD <HOUSE PROP A/C>	131,607	1.03%
13	MR PHILLIP JOHN GARLAND & MR ANTHONY VAN DER WIELEN & MR PAUL ANDREW HASLEBY <LUMPER UNIT A/C>	100,000	0.78%
13	MR KENNETH JOHN COOK & MRS MICHELE CHRISTINE COOK <COOK SUPER FUND A/C>	100,000	0.78%
13	MR ANTHONY MICALE & MRS DIANNE MICALE <MICALE SUPER FUND>	100,000	0.78%
13	DENARO PTY LTD <MCQUEEN PROPERTY>	100,000	0.78%
13	MR ANTONIO KRSTICEVIC	100,000	0.78%
13	MR WILLIAM GREEN & MRS MARLENE PATRICIA GREEN <BILMAR SUPER FUND A/C>	100,000	0.78%
13	WESTCAP PTY LTD	100,000	0.78%
13	SOLAR CREST PTY LTD	100,000	0.78%
13	RANDAL INVESTMENT HOLDINGS PTY LTD	100,000	0.78%
13	DR JOHN TOMASICH	100,000	0.78%
13	ENSCOPE PTY LTD	100,000	0.78%
14	JASPER HILL RESOURCES PTY LTD <T ACCOUNT>	99,900	0.78%
15	MR JOHN DOUGLAS DOUBIKIN & MRS LORRAINE KAY DOUBIKIN <DOUBIKIN FAMILY S/F A/C>	92,500	0.73%
16	FUTURE SUPER PTY LTD <JWS SUPER FUND A/C>	82,254	0.65%
16	SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	82,254	0.65%
16	SAM GOULOPOULOS PTY LTD <S GOULOPOULOS F/SUPER A/C>	82,254	0.65%
16	WALLCLIFFE COTTAGES PTY LTD	82,254	0.65%
16	MRS SARAH KAY DALY	82,254	0.65%
16	KAHALA HOLDINGS PTY LTD	82,254	0.65%
17	UPSKY EQUITY PTY LTD <UPSKY INVESTMENT A/C>	79,349	0.62%
18	MR JOHN DENIS HEXTALL	70,778	0.56%
19	MR CRAIG DOUGLAS WHITEHEAD	57,902	0.45%
20	MR BRETT SCOTT BLECHYNDEN	50,000	0.39%
20	MR BARRY JOHN SLATTER & MRS MARGARET LYNETTE SLATTER	50,000	0.39%
20	MR DAVID CHARLES TYRRELL	50,000	0.39%
20	MR ANDREW ROLES	50,000	0.39%
20	LYMGRANGE PTY LIMITED	50,000	0.39%
20	MR JOHN ARNASIEWICZ	50,000	0.39%

20 Largest Shareholders – Listed Options

	Name	Number of Listed Options Held	% Held of Listed Options
20	MR JAMES FRANCIS MCGILL	50,000	0.39%
20	MR THOMAS MILENTIS	50,000	0.39%
20	MR NATHAN CHATER	50,000	0.39%
20	MR KENNETH GEORGE GRAYSON	50,000	0.39%
20	MR KELVIN GEOFFREY ANDRIJICH	50,000	0.39%
20	MRS CHRISTINE ARNASIEWICZ	50,000	0.39%
20	MRS ANN GARRICK	50,000	0.39%
20	MRS AMANDA JANE WELLS	50,000	0.39%
20	SVAGELJ INVESTMENTS PTY LTD	50,000	0.39%
20	MS JULIE ANNE BROWN	50,000	0.39%
20	MS AUDREY YANG MAY TAN	50,000	0.39%
20	PURBECK PTY LTD	50,000	0.39%
20	OHS GLOBAL PTY LTD	50,000	0.39%
20	NOTEGRIN PTY LIMITED	50,000	0.39%
20	WC INVESTMENTS PTY LTD	50,000	0.39%
20	MR KEITH ERNEST ATKINSON & MRS JEANNE ATKINSON <ATKINSON SUPER FUND A/C>	50,000	0.39%
20	CAPITA ENTERPRISES PTY LTD <AD SUPERANNUATION A/C>	50,000	0.39%
20	MR PETER GARRY TRIGWELL & MRS PAMELA MAE TRIGWELL <TRIGS SUPER FUND A/C>	50,000	0.39%
20	MR EMANUEL RICHARD BRIAN DILLON <THE COMPLETE A/C>	50,000	0.39%
20	CHALEYER HOLDINGS PTY LTD <RUBBEN FAMILY A/C>	50,000	0.39%
20	MR NIGEL LESLIE MEEKS & MRS CAROLYN MARGARET MORRISON <MEEKS SUPER FUND A/C>	50,000	0.39%
20	MR BRADLEY MCVEIGH & MRS LARA MCVEIGH <MCVEIGH FAMILY SUPER A/C>	50,000	0.39%
20	FILMRIM PTY LTD <MAJUFE SUPER A/C>	50,000	0.39%
20	JEDDA HOLDINGS PTY LTD <I G GIBSON SUPER FUND A/C>	50,000	0.39%
20	MRS LEANNE MAY HOSIE & MR CRAIG COLIN HOSIE <HOSIE SUPER FUND A/C>	50,000	0.39%
20	MR ANTHONY HEY & MRS SIOBHAN HEY <HEY SUPERANNUATION FUND A/C>	50,000	0.39%
20	MR DANIEL APPEL <DJ APPEL REVOCABLE T A/C>	50,000	0.39%
20	BRIAN J O'BRIEN & ASSOCIATES PTY LTD<DIRECTORS SUPER ACCOUNT>	50,000	0.39%
20	MR STEVEN LESLIE DE SAN MIGUEL & MRS KATHLEEN RUTH DE SAN MIGUEL <DE SAN MIGUEL SUPER A/C>	50,000	0.39%
20	MR DAVID PHILLIP WHITEHEAD & MRS LINDA SUSAN WHITEHEAD <DALIN SUPER FUND A/C>	50,000	0.39%

20 Largest Shareholders – Listed Options

	Name	**Number of Listed Options Held**	**% Held of Listed Options**
20	MR ROBERT DAVID DEAN & MR CHRISTOPHER GORDON RYAN <BOWER SUPER FUND A/C>	50,000	0.39%
20	MR GARY WILLIAM BANDY & MR ALEXANDER VINCENT SMITH & MR KIMBERLY MURTON NORTON <FORREST SUPER FUND A/C>	50,000	0.39%
20	DR KOK PHENG HUI	50,000	0.39%
20	INDIAN OCEAN SURFBOARD COMPANY PTY LTD	50,000	0.39%
20	FILMRIM PTY LTD	50,000	0.39%
		9,818,009	**77.06%**

Restricted Securities

18,000,000 ordinary shares are escrowed until 14 January 2016.