



# FINANCIAL REPORT

# 2014

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GLOBAL CONSTRUCTION SERVICES LIMITED

ABN 81 104 662 259



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GCS is a leading supplier of integrated on-site products and services to all industries.





# DIRECTOR'S REPORT

The Directors present their report on the consolidated entity consisting of Global Construction Services Limited (the **Company**) and the entities it controlled (referred to hereafter as the **Group**, the **GCS Group**, or **GCS**) at the end of, or during the year ended 30 June 2014.

## DIRECTORS AND OFFICERS

The following persons were Directors and Officers of Global Construction Services Limited during the whole of the financial year and up to the date of this report.

Peter Wade	Board Chairman and Non-Executive Director
Enzo Gullotti	Group Managing Director
Sam Mangione	Non-Executive Director
George Chiari	Executive Director
Michael Sertorio <sup>(1)</sup>	Non-Executive Director
Vince Gerasolo <sup>(2)</sup>	Company Secretary
Gabriel Chiappini <sup>(3)</sup>	Company Secretary

<sup>(1)</sup> Resigned 31 October 2013.

<sup>(2)</sup> Resigned 20 December 2013.

<sup>(3)</sup> Appointed 12 December 2013

## EXPERIENCE, QUALIFICATIONS AND RESPONSIBILITIES

### Peter Wade

Non-Executive Chairman

Mr Peter Wade holds a Bachelor of Engineering (Hons) and has over forty years of experience in engineering, construction, project management, mining, and infrastructure services. He started his career with the NSW Public Service managing the construction, building, and operation of significant infrastructure projects such as the Port Kembla coal loader and grain terminals in Newcastle and Wollongong. Mr Wade was also a Deputy Director for the Darling Harbour Redevelopment construction project. Subsequently, as an Executive of the Transfield Group, Mr Wade was responsible for a number of significant construction, building, and operation projects including, the Melbourne City Link, the Airport Link, the Northside Storage Tunnel, and the Collinsville and Smithfield Power Plants. Mr Wade has been the Managing Director of Crushing Services Pty Ltd and PIHA Pty Ltd since 1999 and Minerals International Pty Ltd since 2002 (now all wholly owned subsidiaries of Mineral Resources Limited). In 2006, with the formation and listing of Mineral Resources Limited, Mr Wade was appointed as Managing Director and has overseen a sustained period of successful development and growth. In 2008, Mr Wade was appointed the Executive Chairman of Mineral Resources Limited. On 16 November 2012, Mr Wade was appointed as Non-Executive Chairman of Mineral Resources Limited.

<b>Qualifications</b>	BE (Hons), LGE
<b>Other Current Directorships</b>	Non-Executive Chairman of Mineral Resources Limited
<b>Former Directorships (3 years)</b>	None
<b>Special Responsibilities</b>	Chairman of Board of Directors Chairman of Audit and Risk Management Committee Chairman of Nomination and Remuneration Committee
<b>Interests in Shares</b>	221,361
<b>Interest in Options</b>	None



### Enzo Gullotti

Group Managing Director

Mr Enzo Gullotti is an industry and community leader with in excess of twenty five years of experience in the scaffolding, construction, and maintenance sectors. Mr Gullotti was a founding member of the PCH Group (now CAPE) where he was an Executive Director for approximately eight years and the Managing Director of the scaffolding subsidiary. Mr Gullotti was instrumental in growing PCH, including the establishment of operations in Karratha, Sydney, Darwin, Bunbury, Singapore, Thailand, Dubai and the Caspian Sea. Since establishing GCS in 2003, Mr Gullotti has grown the Group significantly, including leading the successful integration of several key acquisitions and expanding the company's footprint throughout Australia.

<b>Other Current Directorships</b>	None
<b>Former Directorships (3 years)</b>	None
<b>Special Responsibilities</b>	Group Managing Director
<b>Interests in Shares</b>	8,047,702
<b>Interest in Options</b>	None

### Sam Mangione

Non-Executive Director

Mr Sam Mangione holds a Bachelor of Business degree and has been associated with the GCS Group since July 2005. Mr Mangione has over twenty three years of experience in the construction, mining, and hire industries. Mr Mangione is co-owner of the largest privately held waste management company in Western Australia and is also a leading manufacturer of temporary site accommodation. Mr Mangione has developed state of the art processes in the recovery and recycling of waste product via purpose designed waste transfer stations.

<b>Qualifications</b>	B.Bus
<b>Other Current Directorships</b>	None
<b>Former Directorships (3 years)</b>	None
<b>Special Responsibilities</b>	Member of Audit and Risk Management Committee Member of Nomination and Remuneration Committee
<b>Interests in Shares</b>	4,754,562
<b>Interest in Options</b>	None

# DIRECTOR'S REPORT

(CONTINUED)

## EXPERIENCE, QUALIFICATIONS AND RESPONSIBILITIES (continued)

### George Chiari

Executive Director

Mr George Chiari is a recognised industry leader in the field of commercial formwork and concrete with over forty years of experience at CASC Constructions. His skills and knowledge are invaluable as GCS builds on the success of recent times and seeks to capitalise on the significant opportunities in Western Australia.

<b>Other Current Directorships</b>	None
<b>Former Directorships (3 years)</b>	None
<b>Special Responsibilities</b>	Executive Director
<b>Interests in Shares <sup>(4)</sup></b>	4,759,256
<b>Interest in Options</b>	None

<sup>(4)</sup> CASC Services Pty Ltd held 6,282,622 shares (2013: 6,282,622) which are held in the Chiari Used Trust in which G. Chiari has an interest.

### Gabriel Chiappini

Company Secretary

Mr Gabriel Chiappini was appointed Company Secretary of the GCS Group on 12 December 2013. Mr Chiappini is a member of the Australian Institute of Company Directors and Institute of Chartered Accountants. Mr Chiappini has experience as a Finance Director, Chief Financial Officer and Company Secretarial roles in both local and international environments and also holds the position of Company Secretary with several ASX listed and unlisted companies. Mr Chiappini has experience in diverse and varied industry sectors including Investment Banking (UK), Property Development & Investment (UK), Oil & Gas (Australia), Telecommunications (Australia), and Biotechnology (Australia).

<b>Qualifications</b>	B.Bus, GAICD, CA
<b>Special Responsibilities</b>	Member of Audit and Risk Management Committee



## MEETINGS OF DIRECTORS

The number of meetings of GCS's Board of Directors and each Board Committee held during the year ended 30 June 2014 and the number of meetings attended by each Director was:

	Meetings of committees					
	Full meetings of Directors		Audit and Risk		Nomination and Remuneration	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Wade	11	11	2	2	1	1
Enzo Gullotti	11	11	0	2 <sup>(1)</sup>	0	1 <sup>(1)</sup>
Sam Mangione	11	9	2	2	1	1
George Chiari	11	11	0	2 <sup>(1)</sup>	0	1 <sup>(1)</sup>
Michael Sertorio (resigned 31 October 2013)	4	3	1	0	0	0

<sup>(1)</sup> Attended by invitation

## COMMITTEES

As at the date of this report, the Company has established an Audit and Risk Committee and a Nomination and Remuneration Committee.

## PRINCIPAL ACTIVITIES

The principal continuing activities of the Group consisted of a range of products and services to a diverse set of customers in the Commercial; Residential; and Resource, Industrial, Oil & Gas sectors of the construction and maintenance industries. These activities include the provision of equipment and on site specialised labour services including scaffolding, formwork, material hoists, temporary site accommodation, general plant hire, vehicle fleet hire, temporary fencing, concrete pumping, concrete placement, and related engineering and design services.

## STRATEGY

The GCS Group's strategic focus is on improving and optimising the returns from our portfolio of businesses by continuing to drive operational efficiencies, diversify our revenue streams, reduce costs, and maintain a disciplined approach to managing the balance sheet. We are rationalising our operations and aligning our resources to meet the changing needs of our clients and market conditions. Our strategy is underpinned by our values and the proposition of 'Safety, Performance, Reliability' and is executed by our integrated 3 plus 3 business model entailing:

Three key services comprising:

1. Large scale formwork and concrete contracting;
2. Supply of onsite equipment and materials encompassing scaffold and access solutions, formwork, site accommodation, plant and equipment, and specialised vehicles; and
3. Provision of on-site workforce.

Three key market sectors covering:

1. Commercial;
2. Resource, Industrial, Oil & Gas; and
3. Residential.

The formwork, concrete, and scaffolding businesses are the Company's foundation businesses. GCS continues as the West Australian leader in this market segment. The plant and equipment hire business represents the Group's platform to increase its on-site presence by adding complementary customer solutions. The nature of this business is an enabler to increasing GCS's geographic reach throughout Western Australia and nationally. The labour hire business represents a significant growth area for the Group. The labour hire business together with the equipment hire businesses differentiates GCS as a true agile, end to end, on-site solution provider compared to its peers. Our wide-ranging experience and results driven strategies make us a supplier of choice and a reliable industry partner.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

# DIRECTOR'S REPORT

(CONTINUED)

## OVERVIEW AND FINANCIAL RESULTS

### Overall Market

The FY14 performance and financial results of GCS was characterised by the underlying market conditions in Western Australia. On-going project delays, degrees of investment caution, and a slowing of general demand all influenced the Group's operations.

Although the Perth CBD is currently undergoing a substantial transformation, with significant investment committed by the State Government and private sector to new projects, the timeline of these major construction projects continue to experience delays which have filtered through to the State's prime contractor's order books. GCS continues to supply early works on these Commercial projects which bodes as a positive sign to increasing activity levels in FY15.

The Pilbara region of Western Australia continues to be at the forefront of the State's economic activity, although activity in FY14 was not uniform across all commodity segments. The significant liquefied natural gas projects (LNG) of Gorgon, Wheatstone, and Ichthys continued to ramp up their investment in the region, however declines in other commodity projects created excess capacity in some segments. Decreases in Chinese economic growth, weaker commodity demand coupled with publicised cost and productivity pressures led to a number of resources projects being postponed or reworked.

The Western Australian housing market was more positive and has continued to rebound during FY14. There was an upturn in the residential sector on the back of improved new home sales, building approvals and record low interest rates which are reflected in the improved financial performance in this segment.

The challenges with the prevailing market conditions in GCS's core businesses has been recognised by management. The Board has continually responded by reviewing its operating segments and rationalising and aligning resources to improve efficiencies and match activity levels.

### Financial Performance

GCS Group revenues from continuing operations decreased 20.1% to \$160.1m (FY13: \$200.3m). The Group recorded an underlying profit after tax of \$9.5m before the Forge bad debt write off of \$1.3m post tax, and a statutory profit after tax of \$8.2 million (FY13: \$15.3m), a decline of 46.8% over the corresponding period. Group EBITDA of \$29.1million (FY13: \$47.7m) was lower than the corresponding period and includes \$1.8m pre tax bad debt write-off related to the collapse of the Forge Group. Group EBIT was \$17.1 million (FY13: \$30.4m), and earnings per share were 4.8 cents (FY13: 9.7 cents). The financial performance for the full year of 2014 was impacted by the challenging market conditions in the Western Australian economy. This included the continued delay in the letting of major projects in the Perth CBD and the general slowdown in demand in the Pilbara, partially offset by increased activity in the residential housing market and a greater contribution from associate entity SmartScaff Pty Ltd.

With the continued strong focus on the balance sheet the Group reported a reduction in net debt to \$63.6m, \$17.7m (22%) lower than the corresponding year. This has been achieved through improved free cash flow driven by cost and working capital management initiatives, lower interest, and limiting capital expenditure to essential sustaining levels only. Capital expenditure (cash and hire purchase) has reduced 77% (\$25.0 million) to \$7.4 million (FY13 \$32.4 million). The company net debt to equity position has improved and reduced to 32% from 43% at 30 June 2013.

The following table is a reconciliation of non IFRS financial information (EBITDA and EBIT) disclosed in this operational and financial review of the Directors' Report.

	30 June 2014 \$'000	30 June 2013 \$'000
Profit for the year after income tax	8,165	15,340
Add back finance costs	6,048	7,504
Add back income tax expense	2,926	7,549
EBIT	17,139	30,393
Add back depreciation	11,526	16,254
Add back amortisation	479	1,069
EBITDA	29,144	47,716

### Board and Executive

Mr Michael Sertorio resigned from the GCS Group Board on the 31 October 2013. The company is undertaking an overall review of the structure and composition of the board and will advise the market when a formal decision has been made on the restructure and appointment of any additional board member.

Mr Vince Gerasolo resigned from his position of Company Secretary on 20 December 2013. Mr Gabriel Chiappini was appointed the new Company Secretary on 12 December 2013, with Mr Carlo Genovesi (Group CFO) as joint Company Secretary.





### Commercial

The Commercial division successfully completed key contracts on the QEII Medical Centre (Multi-story car park) for Probuild and the new Midland Health Campus for Brookfield Multiplex during this first half of the year. It also commenced the formwork and concrete works for the construction of the Brookfield Place Tower 2 project and the May Holman Centre. Additionally, the division also commenced the façade installation contract on the Perth Children's Hospital Project, currently being constructed by John Holland. All these projects are progressing well.

Demand for temporary site accommodation in the commercial market has been strong. The construction pipeline in the Commercial sector continues to be substantial however main contractors have been subjected to continued delays in projects moving from approval through to the construction phase. These ongoing delays have impacted GCS's activity in this segment as reflected in the decreased revenue and EBITDA of this segment.

Revenue in this segment decreased 23.3% to \$84.2m (FY13: \$109.8m) and adjusted EBITDA also decreased 56.3% to \$12.8m (FY13: \$29.3m).

### Resource, Industrial, Oil & Gas

There has been a steady improvement in utilisation levels in the last quarter, albeit still at very competitive rates. The Western Australian resources investment cycle continued to soften in FY14 on the back of a slowdown in mining activity as major projects moved from construction to production. Concurrently, lower commodity prices and the resultant decision to minimise new capital expenditure in this sector produced project postponements and weakening demand for traditional support services. This contraction in demand and the resultant competitive market for plant hire and temporary site accommodation contributed to the decline in revenue and EBITDA of this segment.

The lower mining sector demand was partially offset by positive growth in oil and gas. Scaffolding sales revenue in the first half of the year included delivery of the final 2,400 tonne of equipment to CBI-Kentz joint venture for Chevron's Gorgon Gas Project. The GCS subsidiary (GCS Industrial Services Pty Ltd) commenced the principal management and supply scaffolding contract for Woodside Energy Limited's North West Shelf Project (all on shore and offshore locations). This contract is progressing well and is an important step in GCS building sustainable annuity revenue streams within its services business. Also, in the second half of the year, GCS Industrial Services Pty Ltd was appointed the exclusive supply chain partner for the supply of scaffold equipment to Kaefer for their Ichthys project scaffolding services package. The first delivery of equipment for this project commenced in June 2014 and therefore the volume is not material for FY14.

Revenue in this segment decreased 26.8% to \$50.8m (FY13: \$69.4m) and adjusted EBITDA decreased 30.3% to \$13.3m (FY13: \$19.1m).

### Residential

The Western Australian housing market was more positive and has continued to rebound during FY14. There was an upturn in the residential sector on the back of improved new home sales, building approvals and record low interest rates which are reflected in the improved financial performance in this segment. Management is continually monitoring this business to rationalise and align resources to service this market.

Revenue in this segment increased 19.0% to \$25.1m (FY13: \$21.1m) and adjusted EBITDA also increased 41.5% from \$4.1m in FY13 to \$5.8m in FY14.

### MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There were no matters or circumstances since 30 June 2014 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS IN OPERATIONS

The Group anticipates an overall improvement in market conditions in the forthcoming years which will improve GCS's performance in FY15 and the periods beyond.

The pipeline of opportunities in the commercial sector remains strong and the Board remains optimistic on this investment pipeline activity increasing in the second half of financial year 2015 with recent major contracts awarded to main contractors. These major projects are committed infrastructure works being undertaken by the Western Australian Government, in addition to the expanding substantial private sector investment, and GCS has a proven track record and reputation that will ensure its successful involvement in these opportunities.

The outlook and level of activity in the Resource, Industrial, Oil & Gas sector is expected to remain mixed. The general slowdown in demand in the Pilbara mining sector is expected to continue. However, it is pleasing that the oil and gas opportunities continue to remain buoyant and our businesses and existing integrated product and services offering are well placed to support future growth opportunities in this sector.

The outlook for the residential sector is cautiously positive with increased activity experienced in FY14 and GCS expects improvements in the segment as a result of competitors' withdrawing from the market. We are anticipating the low interest rate environment will continue and lead to improved confidence and investment in housing which will provide a positive benefit to our operations in this sector.

## DIRECTOR'S REPORT

(CONTINUED)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS IN OPERATIONS (continued)

Moving into FY15, the company will continue to maintain a strong focus on disciplined and strategic capital management to enhance the Group's capital structure and debt maturity profile. This focus on debt initiatives will include reviewing of current debt portfolio, continuing and ongoing discussions with current principal banker, review of non-banking debt facilities to augment and/or refinance the current debt portfolio and continuation of reduction in net debt and improvement in net debt to equity ratio. The company is expecting to meet with its Principal Banker and potential alternative funders during the December quarter 2014 to review the Group's debt portfolio.

The GCS Group remains committed to executing its strategy of diversifying its revenue base to more sustainable annuity streams which offer integrated labour and equipment solutions to customers over the long term project life cycle. The company continues to focus on improving and optimising the returns from our portfolio of businesses by continuing to drive operational efficiencies, diversify our revenue stream, reducing costs, and maintaining a disciplined approach to managing the balance sheet.

The company is well placed to meet future growth and expansion opportunities on the back of a solid and well established integrated product and services platform.

### ENVIRONMENTAL REGULATIONS

The operations of the consolidated entity are subject to environmental regulation under Commonwealth, State and Territory legislation.

The Group has implemented policies which require all operations to be conducted in a manner to comply with regulation, protect, and preserve the environment. The Directors are not aware of any material breaches of environmental regulations during the year or as at the date of this report. The Company has met all its reporting requirements under the relevant legislation during the year and continually aims to improve its environmental performance.

The Company does not currently meet the thresholds of the *National Greenhouse and Energy Reporting Act 2007* and is therefore not currently subject to its reporting requirements.

### CORPORATE GOVERNANCE

The Board is committed to achieving the highest standards of corporate governance. The Board reviews and improves its policies and procedures to ensure they are effective for the Group and fulfil the expectations of stakeholders.

The Board's Corporate Governance Statement is outlined in the Annual Report.

### DIVIDENDS

With the continuing focus on debt reduction and the levels of uncertainty prevalent in the wider economy, the Board has determined in the best interests of the Company to not declare a final dividend for FY14. During FY13 a fully franked interim dividend of 2.00 cents per share totalling \$3.4m was declared. The dividend was paid on the 5th April 2013, the dividend reinvestment plan applied.



## REMUNERATION REPORT (AUDITED)

### Letter from Chairman of Remuneration Committee

Dear Shareholders

During FY14, your company has undergone a number of structural changes to improve efficiency and market penetration. The Chairman's report has noted Global Construction Services Limited's focus on building shareholder value and sales growth in our key markets. As Chairman of the Remuneration Committee, my focus is on ensuring the Company has a competitive remuneration structure in place that ensures that key management have a strong link between Company performance and reward, are motivated to achieve key Company objectives, and contribute to the long term Company success. Global Construction Services Limited is committed to ensuring its remuneration structure is appropriately aligned with shareholder interests and, in that sense, needs to ensure that key executive staff are motivated, rewarded, and retained.

Following on from the no vote against the Remuneration Report at the Company's Annual General Meeting in 2013 and leading into FY15, the Company has invested considerable time in engaging with key stakeholders and advisors to improve the remuneration governance framework.

In light of the noted considerations, the Board has taken the following steps:

Proposed changes for 2015	Rationale
Fixed remuneration	There will not be any increase above current contractual requirements and/or CPI and contractual terms
Short term incentive plan "STIP"	To be restructured – no STI paid in FY14
Long term incentive plan "LTIP"	Planning to implement LTIP
NED fees to remain frozen	NED fees to remain frozen and in line with fees from 2013 and 2014

I would also like to acknowledge the support and contributions from the other members of the Remuneration Committee and the buy in from Senior Executives. I trust that shareholders will welcome the Board's undertakings and will support our initiatives to demonstrate an improved remuneration framework and outcomes as part of the FY15 Annual Report.

If any shareholders or their representatives would like to engage with me further on remuneration matters, please write to me with your feedback and comments and I will be happy to reply.

Regards

**Peter Wade**

Chair of the Remuneration Committee



# DIRECTOR'S REPORT

(CONTINUED)

## REMUNERATION REPORT

The Directors present the remuneration report of Global Construction Services Limited for the year ended 30 June 2014, which sets out the remuneration arrangements of the Group for each Director and other Key Management Personnel in accordance with the requirements of the *Corporations Act 2001* and its regulations. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing, and controlling the main activities of the Company and the Group.

The Directors and Key Management Personnel disclosed in this report are:

Directors	Position
Peter Wade	Chairman and Non-Executive Director
Enzo Gullotti	Group Managing Director
George Chiari	Executive Director
Sam Mangione	Non-Executive Director
Michael Sertorio (resigned 31 October 2013)	Non-Executive Director
Key management personnel	Position
Graeme Hearn	Divisional Managing Director
Carlo Genovesi	Chief Financial Officer

## REMUNERATION PHILOSOPHY

The objective in setting remuneration levels is to attract and retain qualified and experienced high quality employees. Remuneration packages are structured to encourage improved performance and to align the employee's interests with the short term and long term objectives of the Company. The Group benchmarks remuneration packages at least annually to ensure competitive positioning within the market. Short term incentives are designed to incentivise individual contributions to achieving results.

## REMUNERATION COMMITTEE

The objective of the Remuneration Committee of the Board is to make recommendations on policies, strategies and structures on compensation arrangements for Directors and Key Management Personnel. The committee is charged with the development of a remuneration framework which:

- recommends remuneration levels of Directors and Key Management Personnel;
- proposes Non-Executive Director fees;
- conducts incentive plans which apply to Executives;
- devises key performance indicators to align remuneration and incentives to performance and achievement; and
- formulates identification of talent, development, retention and succession planning strategies for Key Executives.

The Remuneration committee meets twice per annum but as often as required to discharge its responsibilities. The committee is chaired by an independent Non-Executive Director.

The Corporate Governance statement of the Annual Report provides further information on this committee's role.

## REMUNERATION CONSULTANTS

During the year ended 30 June 2014, Global Construction Services Limited did not engage the services of a remuneration consultant in respect of its remuneration matters, however the company will be seeking external remuneration consultants to assist it with structure for STI Plan and LTI Plan.



### VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING

At the 2013 Annual General Meeting (AGM), the Company recorded a “strike” against approval of its Remuneration Report. Under the *Corporations Act*, a strike occurs when more than 25% of eligible votes cast are against the resolution to adopt the Remuneration Report. Since the strike was recorded, Global Construction Services Limited has been diligent in examining the issues raised and has sought input regarding the appropriate changes required from:

- Shareholders; and
- Proxy advisors and stakeholder representative groups.

Following the feedback from shareholders at the AGM, we identified a number of key areas for improvement which has resulted in a review of remuneration practices, policies, and plans associated with KMP remuneration. So as to develop an appropriate foundation for future practices, the Remuneration Committee has introduced a formal Remuneration Governance Framework which will consist of:

- A revised Remuneration Committee Charter which now mandates the development and maintenance of other Remuneration Governance Framework elements;
- A Senior Executive Remuneration Policy;
- A Short Term Incentive (STI) Policy & Procedure document; and
- A Long Term Incentive (LTI) Policy & Procedure document.

The Remuneration Committee will look to implementing the above items during FY15 together with assistance from an external remuneration consultant.

With the above changes, together with shareholder and proxy advisor groups, the Board of Global Construction Services Limited kindly seeks shareholder support in considering the considerable efforts of the Board to improve remuneration governance, practices, and outcomes in relation to the strike. We would be grateful if shareholders acknowledge that this process commenced in FY14 and will continue through FY15 to allow the finalization and implementation of the changes. As a result, the remuneration policies and practices for FY14 that we are reporting against do not fully reflect the changes the Board have made in response to feedback from shareholders.

As noted earlier in the remuneration report, I can confirm that there were no short term incentives paid during FY14 for current Directors and Key Management Personnel (KMP). In addition, there were no salary increases above current contractual requirements and/or CPI and contractual terms. The executive directors have held significant equity positions in the company which provides sufficient incentive to strive towards their STI KPI objectives.

### NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate fees paid to a level which reflects the responsibilities and demands made on Non-Executive Directors and provides the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of Global Construction Services Limited and the ASX Listing Rules specify that the Company may remunerate Non-Executive Directors for their services with a fixed sum not exceeding the aggregate maximum of \$300,000 per annum. The Constitution entitles each Director to superannuation contributions in addition to their fees.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is evaluated by the Remuneration Committee annually.

The remuneration of Non-Executive Directors for the year ended 30 June 2014 is detailed in Table 2 of this report.

### EXECUTIVE REMUNERATION INCLUDING GROUP MANAGING DIRECTOR

The current Executive remuneration framework is made up of two components:

- base pay and benefits, including superannuation; and
- short-term incentives in the form of cash bonus.

Global Construction Services Limited, as at the date of this report, has not implemented a long term incentive scheme for Key Executives. However as part of the Remuneration Committee's engagement with shareholders and proxy advisors, there was strong feedback provided that Global Construction Services Limited should introduce a LTIP. At present, key management individually hold a large number of shares in the Company by virtue of their historical association to the Company upon its initial ASX listing. The Remuneration Committee and the Board holds the view that a long term scheme based on the equity participation of key management will not be an effective incentive in linking performance as the interests of key management, who already hold significant shares in the Company, will in the near future be aligned to the Company by virtue of their shareholdings.

However, as a result of the Remuneration Committee's engagement with shareholders and proxy advisors, the Company will develop and formulate an improved short term and long term incentive scheme which will meet the remuneration objectives of the Company and its stakeholders.

# DIRECTOR'S REPORT

(CONTINUED)

## BASE PAY AND BENEFITS

Executive base pay is competitively structured and comprises the fixed component of the remuneration package. The fixed component may include cash, superannuation, and non-financial benefits to comprise the employee's total employee cost. Non-financial benefits generally consist of items to enable the effective discharge of the Executive's duties and may include the provision of motor vehicles, mobile phones, and notebooks.

Base pay is reviewed annually and benchmarked against a number of indicators and market data. The Group Managing Director, Divisional Managing Director, and Key Executives of C.A.S.C. Constructions Pty Ltd are guaranteed a minimum annual increase of either CPI or 5%. This increase has, by mutual agreement of the employee and Remuneration Committee, been suspended for the past two financial years with consideration to GCS's current performance.

## SHORT-TERM INCENTIVES (STI)

As noted in the Chairman's opening letter in this report, there were no STI paid or accrued during FY14.

The objective of variable remuneration is to link the achievement of the Group's operational targets with the remuneration received by the Executives charged with meeting those targets. The Company's STI objectives:

- Motivate Senior Executives to achieve the short term annual objectives linked to Company success and shareholder value creation;
- Create a strong link between performance and reward;
- Share Company success with the Senior Executives that contribute to it; and
- Create a component of the employment cost that is responsive to short to medium term changes in the circumstances of the Company.

The Company will be working towards formalizing the above objectives into a STI plan and policy.

Short-term incentives currently take the form of a cash bonus and are designed to encourage performance and align the interest of the employee to those of the Company's strategic and business objectives. The key STI measures for the Group in FY14 consist of a number of targets tied to the performance on the GCS Group's major contracts, safety performance, financial performance, scheduling performance, and customer satisfaction. The key considerations have not been formally weighted to ascertain the STI. The STI is currently discretionary in nature and its quantum is determined by the Remuneration Committee.

The Remuneration Committee is responsible for determining the achievement of targets and assessing as to whether a bonus amount is paid. The committee also has the discretion to adjust short-term incentives downwards in response to unexpected or unintended circumstances.

## OTHER INCENTIVES

During FY13, the Company, through the remuneration committee, agreed terms with each of the Key Executives to extend their service agreements through to 30 June 2015. As noted above, through engagement with key non-related shareholders and proxy advisors, the Remuneration Committee will work during FY15 to establish a long term incentive component of remuneration for Key Executives and to drive the succession planning of the company.

LTI performance hurdles are expected to include TSR and EPS objectives.





## COMPANY PERFORMANCE AND SHAREHOLDER WEALTH

Table 1: Sets out information about the Company's consolidated earnings and shareholder wealth over the last five years.

	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>	<b>2010 \$'000</b>
Profit for the year attributable to holders of Global Construction Services Limited	8,165	15,340	22,843	19,424	11,429
Dividends paid	-	3,405	10,152	6,328	4,884
	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Earnings per share	4.80	9.70	19.70	20.80	13.10
Share price at start of the year	44.00	125.00	100.52	88.00	60.00
Share price at end of the year	46.00	44.00	125.00	100.52	88.00
Dividends per share paid	0.00	2.00	4.25	8.25	5.50
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Increase/(decrease) in share price	5	(65)	24	14	47
Dividend payout ratio	-	21	22	40	42

## PERFORMANCE EVALUATION

The remuneration committee reviews the performance of Executives at least annually. There is currently no at risk performance remuneration other than the STI.

## SERVICE AGREEMENTS

Except as disclosed below, Directors and Executives are employed under contracts of employment with standard commercial terms, such as having no fixed term of expiry, notice periods of between one and three months, and termination payments in lieu of notice.

# DIRECTOR'S REPORT

(CONTINUED)

## SERVICE AGREEMENTS (continued)

### Mr Enzo Gullotti, Group Managing Director

An employment agreement has been entered into between Enzo Gullotti and Global Construction Services Limited as the Group Managing Director of the GCS Group for a term of three years, commencing 1 July 2012. The terms of this agreement include:

- a. Salary payable is \$561,505 inclusive of superannuation from 1 July 2012;
- b. Entitlement to thirty days of annual leave per annum;
- c. Provision of a fully maintained vehicle, mobile phone, and income protection insurance;
- d. Mr Gullotti must exercise the utmost good faith in the best interests of the Group;
- e. GCS may terminate the agreement at will and, upon termination, the employee will be entitled to 50% of his salary for the period remaining in the employment agreement;
- f. If the employee terminates the employment he must give at least six months' notice of termination. On resignation, the employee will not be entitled to any further payment other than for services provided during the notice period;
- g. The agreement may also be terminated for serious misconduct, in which event the Company is not required to pay compensation;
- h. A one year non-compete and non-solicitation covenant on termination of the agreement, whereby Mr Gullotti will not engage directly or indirectly or through any person in an enterprise, company, or firm to carry on a substantially similar activity to that of GCS. The Company may elect to allow him to work as an employee in the restricted area in lieu of paying him during the restraint period and, in these circumstances, the Company will not continue to pay his salary during this restraint period. If 50% or more of the shares are acquired by a party as a result of a takeover or scheme of arrangement, the employment agreement, including the above restrictive covenants, shall cease to apply to Mr Gullotti; and
- i. A minimum guaranteed annual pay increase of 5%.

### Mr George Chiari, Executive Director

An employment agreement has been entered into between C.A.S.C. Constructions Pty Ltd (CASC) and George Chiari.

- a. The term of employment is three years from 1 July 2012;
- b. Salary payable is \$454,252 per annum inclusive of superannuation commencing 1 July 2012 plus the use of a mobile phone;
- c. The employee must exercise the utmost good faith in the best interests of the Group and CASC;
- d. CASC may terminate the agreement at will and, upon termination, the employee will be entitled to 50% of his salary for the period remaining in the employment agreement;
- e. The agreement may also be terminated for serious misconduct, in which event CASC is not required to pay compensation;
- f. George Chiari has provided CASC with a three year restrictive covenant on termination of the agreement, whereby the employee will not engage directly or indirectly or through any person in an enterprise, company, or firm to carry on a substantially similar activity to that of CASC (including formwork and scaffolding). Each employee will not entice away (or attempt to entice away) any clients, suppliers, or other employees of CASC; and
- g. A minimum guaranteed annual pay increase of 5%.

### Mr Graeme Hearn, Divisional Managing Director

An employment agreement has been entered into between GCS Industrial Services Pty Ltd and Graeme Hearn.

The terms of these deeds of employment are substantially the same and include:

- a. The term of employment is five years from 15 April 2011;
- b. Salary payable is \$454,252 per annum inclusive of superannuation commencing 1 July 2012, plus the use of a mobile phone;
- c. Entitlement to twenty five days of annual leave per annum;
- d. The employee must exercise the utmost good faith in the best interests of the Group and GCS Industrial Services;
- e. GCS Industrial Services may terminate the agreement at will by giving three months written notice and, upon termination, the employee will be paid their salary to the time of summary termination plus notice;
- f. The agreement may also be terminated for serious misconduct, in which event GCS Industrial Services is not required to pay compensation;
- g. Graeme Hearn has provided GCS Industrial Services with a five year restrictive covenant on termination of the agreement, whereby the employee will not engage directly or indirectly or through any person in an enterprise, company, or firm to carry on a substantially similar activity to that of GCS Industrial Services. Each employee will not entice away (or attempt to entice away) any clients, suppliers, or other employees of GCS Industrial Services. Nothing prevents each employee from working for a salary in restricted areas after the term if GCS Industrial Services does not continue his employment; and
- h. A minimum guaranteed annual pay increase equal to the CPI.



## DETAILS OF REMUNERATION

Details of the amount and nature of each element of the remuneration of the Directors and Key Management Personnel of the consolidated entity are set out in the following tables.

Table 2: Directors and Key Management Personnel's remuneration of the Company and the Group for the year ended 30 June 2014.

		Short-term employee benefits			Post employment benefits	Long-term benefits		
	Cash salary and fees	Short-term Incentives	Retention Incentives	Non monetary benefits	Superannuation	Long Service Leave	Total	Performance Based
2014	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Director</b>								
P Wade	84,121	-	-	-	-	-	84,121	-
S Mangione	55,125	-	-	-	5,099	-	60,224	-
M Sertorio <sup>(1)</sup>	20,042	-	-	-	1,700	-	21,742	-
<b>Executive Directors</b>								
E Gullotti <sup>(2)</sup>	568,199	-	-	53,696	25,000	-	646,895	-
G Chiari	429,252	-	-	-	25,000	-	454,252	-
<b>Key Management Personnel</b>								
G Hearn	429,252	-	-	-	25,000	-	454,252	-
C Genovesi	305,000	-	-	-	25,000	-	330,000	-

<sup>(1)</sup> Resigned 31 October 2013.

<sup>(2)</sup> Annual leave cashed out during the period of \$31,693.



## DIRECTOR'S REPORT

(CONTINUED)

## DETAILS OF REMUNERATION (continued)

Table 3: Directors and Key Management Personnel's remuneration of the Company and the Group for the year ended 30 June 2013.

		Short-term employee benefits			Post employment benefits	Long-term benefits		
	Cash salary and fees	Short-term Incentives	Retention Incentives	Non monetary benefits	Superannuation	Long Service Leave	Total	Performance Based
2013	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Director</b>								
P Wade	84,121	-	-	-	-	-	84,121	-
S Mangione	55,125	-	-	-	4,961	-	60,086	-
M Sertorio <sup>(1)</sup>	99,646	-	-	-	8,968	-	108,614	-
<b>Executive Directors</b>								
E Gullotti <sup>(2)</sup>	545,470	70,000	50,000	59,333	25,000	89,418	839,220	8
G Chiari	396,044	65,000	35,000	-	25,000	-	521,044	12
<b>Key Management Personnel</b>								
G Hearn	435,294	65,000	-	-	25,104	-	525,398	12
R Used <sup>(3)</sup>	487,417	65,000	-	-	25,000	-	577,417	11
C Genovesi	304,290	30,000	-	-	25,000	-	359,290	8

<sup>(1)</sup> Appointed Non-Executive Director 6 August 2012.<sup>(2)</sup> Long service leave cashed out during the period of \$89,418.<sup>(3)</sup> Resigned 28 June 2013.



## SHARE HOLDINGS

The number of shares in the Company held directly or indirectly during the financial year by each Director and members of the Key Management Personnel of the Group, including their related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance as at 1 July 2013	Other changes during the year	Balance as at 30 June 2014
<b>2014</b>			
<b>Directors</b>			
P Wade	221,361	-	221,361
E Gullotti <sup>(1)</sup>	8,047,702	-	8,047,702
S Mangione <sup>(1)</sup>	4,754,562	-	4,754,562
G Chiari <sup>(1 &amp; 2)</sup>	4,759,256	-	4,759,256
M Sertorio <sup>(3)</sup>	8,198,151	-	8,198,151
<b>Other key management personnel</b>			
G Hearn	1,638,856	(829,705)	809,151
C Genovesi	30,000	-	30,000

<sup>(1)</sup> At 30 June 2014, GBMC Holdings Pty Ltd (**GBMC**) held 143,235 shares (2013: 143,235) and the following Directors held shares in GBMC: E Gullotti, S Mangione and G Chiari.

<sup>(2)</sup> At 30 June 2014, CASC Services Pty Ltd held 6,282,622 shares (2013: 6,282,622) which are held in the Chiari Used Unit Trust by G Chiari.

<sup>(3)</sup> Resigned 31 October 2013. Closing shareholding as at date of resignation.

## TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

GCS Rapid Access Pty Ltd has an agreement to hire various plant and equipment from CASC Hire Pty Ltd at arms length commercial terms for 11 years and two months commencing 1 July 2004 for \$516,972 per annum. George Chiari is a Director of GCS, C.A.S.C. Constructions Pty Ltd, and CASC Hire Pty Ltd.

The GCS Group utilises the waste management services provided by Instant Waste Management at its metropolitan locations. Sam Mangione, a Director of GCS, is a related party of Instant Waste Management. Instant Waste Management has been paid \$183,106 (2013: \$154,104) for its services which are provided on arms length commercial terms on an 'as needs' basis.

GCS Hire Pty Ltd and GCS Budget Portables Pty Ltd purchased a number of site accommodation units from Aussie Modular Solutions Pty Ltd on arms length commercial terms. Sam Mangione, a Director of GCS, is a Director of Aussie Modular Solutions Pty Ltd. Aussie Modular Solutions Pty Ltd has been paid approximately \$350,140 (2013: \$4,925,104) for these services.

GCS Rapid Access Pty Ltd leases premises in Redcliffe at arms length commercial terms from Mar Pty Ltd and Golden Wood Pty Ltd. The rental amount paid during the year was \$552,795. The rental amount from 1 July 2014 is \$800,000 per annum. George Chiari, a Director of GCS, has an interest in Mar Pty Ltd and Golden Wood Pty Ltd.

Enzo Gullotti, Sam Mangione, and George Chiari, Directors of GCS, have interests in GBMC Holdings Pty Ltd. GCS Hire Pty Ltd and GCS Budget Portables Pty Ltd leased premises in Bassendean on arms length commercial terms from GBMC Holdings Pty Ltd. The rental amount paid during the year, including outgoings was \$814,830. The property was sold to an unrelated party during August 2014 with the lease continuing with the new owners until the 30th September 2014.

GCS Site Services Pty Ltd (formerly Miami Holding Pty Ltd) and GCS Security Scaffolding Pty Ltd lease premises in Port Kennedy on arms length commercial terms from GBMC Holdings Pty Ltd. The rental amount paid during the year, including outgoings, was \$283,097. The rental amount from 1 July 2014 is \$250,390 per annum. The property was sold to Miromiro Pty Ltd on 10th September 2014 with the lease continuing with the new owners. George Chiari, a Director of GCS, is a Director of Miromiro Pty Ltd.

GCS Hire Pty Ltd leases premises on arms length commercial terms in Embleton from Forrestview Investments. Sam Mangione, a Director of GCS, has an interest in Forrestview Investments. The rental amount paid during the year, including outgoings, was \$252,241. The rental amount from August 2014 is \$242,550 per annum.

C.A.S.C. Constructions Pty Ltd leases premises on arms length commercial terms in Embleton from Keppel Holdings Pty Ltd. Sam Mangione, a Director of GCS, has an interest in Keppel Holdings Pty Ltd. The rental amount paid during the year, including outgoings, was \$560,870. The rental amount from August 2014 is \$529,200 per annum.

GCS Hire Pty Ltd and GCS Budget Portables Pty Ltd leases yard spaces on arms length commercial terms in Muchea on an 'as needs' basis from Aussie Modular Solutions Pty Ltd. The rental amount paid during the year was \$36,000. The rental amount from 1 July 2014 is \$3,000 per month. Sam Mangione, a Director of GCS, is a Director of Aussie Modular Solutions Pty Ltd.

Global Industrial Services (Aust.) Pty Ltd leases premises on arms length commercial terms in Balcatta from Blackadder Superannuation Fund. The rental amount paid during the year was \$95,165. The rental amount from 1 July 2014 is \$97,118 per annum. Graeme Hearn, a Director of Global Industrial Services (Aust.) Pty Ltd, has an interest in Blackadder Superannuation Fund.

Global Industrial Services (Aust.) Pty Ltd leases premises on arms length commercial terms in Rockingham from Crompton Rd Property Trust. The rental amount paid during the year was \$90,480. The rental amount from 1 July 2014 is \$90,480 per annum. Graeme Hearn, a Director of Global Industrial Services (Aust.) Pty Ltd, has an interest in Crompton Rd Property Trust.

# DIRECTOR'S REPORT

(CONTINUED)

<b>Aggregate amounts of each type of transactions with key management personnel of the Group</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Amounts recognised in expenses	2,869	3,339
Purchases and hire of equipment and services	867	6,306
Sales of Goods and Services	233	532
Outstanding balances arising from sales/purchases of goods and services. The following balances are outstanding at the reporting date in relation to transactions with related parties and Key Management Personnel:		
Current receivables (sales of goods and services) – Related parties	45	157
Current payables (purchases of goods and services) – Related parties	132	538

## SHARE BASED COMPENSATION

Options may be granted under the Global Construction Services Limited Employee Option Plan. The plan is designed to align the interests of employees to shareholders in the Company and for staff retention purposes. No options were granted during the year and no Director, Secretary, or member of Key Management Personnel is a participant or currently holds an interest or right to any options under Global Construction Services Limited Employee Option Plan.

No ordinary shares of Global Construction Services Limited were issued during the year ended 30 June 2014 under the Construction Services Limited Employee Option Plan.

There are no unissued ordinary shares of Global Construction Services Limited under option at the date of this report.

## End of Audited Remuneration Report



### INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

### INDEMNITY AND INSURANCE OF AUDITORS

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

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

### NON AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### ROUNDING OF AMOUNTS

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

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the page 20.

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

**Peter Wade**  
Non-Executive Chairman

30 September 2014



## AUDITOR'S INDEPENDENCE DECLARATION



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### DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF GLOBAL CONSTRUCTION SERVICES LIMITED

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

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Global Construction Services Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

**Phillip Murdoch**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, 30 September 2014

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

## DIRECTORS' DECLARATION



The Directors of the Company declare that:

1. The financial statements, comprising the statement of consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, the *Corporations Regulations 2001*; and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Group.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
4. The Directors have been given the declarations by the Group Managing Director and Chief Financial Officer required by Section 295A.

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

A handwritten signature in black ink, appearing to read 'Peter Wade', written over a horizontal line.

**Peter Wade**  
Non-Executive Chairman

30 September 2014

## INDEPENDENT AUDITOR'S REPORT



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### INDEPENDENT AUDITOR'S REPORT

To the members of Global Construction Services Limited

#### Report on the Financial Report

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

#### Directors' Responsibility for the Financial Report

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

#### Auditor's Responsibility

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

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

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

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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 Global Construction Services 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 Global Construction Services 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 2.

### Report on the Remuneration Report

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

**BDO Audit (WA) Pty Ltd**



**Phillip Murdoch**  
Director

Perth, 30 September 2014



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2014 \$'000	2013 \$'000
<b>Continuing operations</b>			
Revenue from hire of equipment, provision of labour and contracting services		143,786	184,426
Sale of goods		16,342	15,885
	5(a)	<b>160,128</b>	<b>200,311</b>
Other income	5(b)	1,175	1,418
Raw materials, consumables and services		(37,036)	(47,978)
Personnel expenses		(74,459)	(87,190)
Other expenses		(14,080)	(11,730)
Occupancy		(7,013)	(6,169)
Repairs and maintenance		(1,273)	(1,602)
Depreciation expense	5(d)	(11,526)	(16,254)
Amortisation expense	5(d)	(479)	(1,069)
Finance costs		(6,048)	(7,504)
Share of profit of equity accounted investees (net of tax)	11	1,702	656
<b>Profit before income tax expense</b>		<b>11,091</b>	<b>22,889</b>
Income tax expense	6	(2,926)	(7,549)
<b>Profit after income tax for the year</b>		<b>8,165</b>	<b>15,340</b>
Other comprehensive income for the year, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>8,165</b>	<b>15,340</b>
<b>Profit and total comprehensive income for the year attributable to Owners of the Company</b>		<b>8,165</b>	<b>15,340</b>
<b>Earnings per share for profit attributable to owners of the Company</b>			
Basic earnings per share	23	4.8 cents	9.7 cents
Diluted earnings per share	23	4.8 cents	9.6 cents

The above statement should be read in conjunction with the notes to the financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION



	Note	2014 \$'000	2013 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	13,808	15,317
Trade and other receivables	8	27,542	39,919
Prepayments		4,549	-
Inventories	9	5,789	4,295
Current tax assets		571	6,321
<b>Total current assets</b>		<b>52,259</b>	<b>65,852</b>
<b>Non-current assets</b>			
Other receivables	10	9,742	9,602
Investments accounted for using the equity method	11	6,625	4,923
Property, plant and equipment	12	173,729	180,503
Intangible assets	13	58,609	59,088
Deferred tax assets	14	4,923	4,888
Other financial assets	15	113	118
<b>Total non-current assets</b>		<b>253,741</b>	<b>259,122</b>
<b>TOTAL ASSETS</b>		<b>306,000</b>	<b>324,974</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	15,243	20,613
Borrowings	17	23,772	25,743
Deferred income	18	220	1,011
Current tax liabilities		-	2,057
<b>Total current liabilities</b>		<b>39,235</b>	<b>49,424</b>
<b>Non-current liabilities</b>			
Borrowings	17	53,653	70,926
Provisions	19	952	858
Deferred tax liabilities	20	14,119	13,890
<b>Total non-current liabilities</b>		<b>68,724</b>	<b>85,674</b>
<b>TOTAL LIABILITIES</b>		<b>107,959</b>	<b>135,098</b>
<b>NET ASSETS</b>		<b>198,041</b>	<b>189,876</b>
<b>EQUITY</b>			
Issued capital	21	128,601	128,601
Reserves	21	140	140
Retained profits	21	69,300	61,135
<b>TOTAL EQUITY</b>		<b>198,041</b>	<b>189,876</b>

The above statement should be read in conjunction with the notes to the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		172,895	204,619
Payments to suppliers and employees		(137,149)	(158,468)
Income taxes paid		(5,361)	(10,272)
<b>Net cash inflow from operating activities</b>	28	<b>30,385</b>	<b>35,879</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,768)	(10,939)
Proceeds from sale of property, plant and equipment		495	277
Interest received		799	783
Loans from/(to) related parties		(137)	(3,757)
<b>Net cash outflow from investing activities</b>		<b>(1,611)</b>	<b>(13,636)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		7,000	18,646
Repayment of borrowings		(31,293)	(52,567)
Interest paid		(5,990)	(7,500)
Proceeds from issue of ordinary shares		-	32,277
Transaction costs from issue of ordinary shares		-	(1,680)
Dividends paid to company shareholders		-	(3,260)
<b>Net cash outflow from financing activities</b>		<b>(30,283)</b>	<b>(14,084)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,509)</b>	<b>8,159</b>
Cash and cash equivalents at the beginning of the year		15,317	7,158
<b>Cash and cash equivalents at the end of the year</b>	7	<b>13,808</b>	<b>15,317</b>

The above statement should be read in conjunction with the notes to the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



	Ordinary \$'000	Option Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>FOR THE YEAR ENDED 30 JUNE 2013</b>				
<b>Balance at 1 July 2012</b>	97,355	140	49,200	146,695
Profit for the year	-	-	15,340	15,340
<b>Total comprehensive income for the period</b>	-	-	<b>15,340</b>	<b>15,340</b>
<b>Transactions with owners in their capacities as owners</b>				
Issue of ordinary shares, net of transactions costs	30,597	-	-	30,597
Dividends paid	145	-	(3,405)	(3,260)
Tax-effect share based transaction expenses	504	-	-	504
<b>Balance at 30 June 2013</b>	<b>128,601</b>	<b>140</b>	<b>61,135</b>	<b>189,876</b>
<b>FOR THE YEAR ENDED 30 JUNE 2014</b>				
<b>Balance at 1 July 2013</b>	128,601	140	61,135	189,876
Profit for the year	-	-	8,165	8,165
<b>Total comprehensive income for the period</b>	-	-	<b>8,165</b>	<b>8,165</b>
<b>Transactions with owners in their capacities as owners</b>				
Issue of ordinary shares, net of transactions costs	-	-	-	-
Dividends paid	-	-	-	-
Tax-effect share based transaction expenses	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>128,601</b>	<b>140</b>	<b>69,300</b>	<b>198,041</b>

The above statement should be read in conjunction with the notes to the financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. REPORTING ENTITY

Global Construction Services Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

These financial statements are general purpose financial statements. It includes separate financial statements for Global Construction Services Limited (the 'Company' or 'Parent Entity') and its subsidiaries (together referred to as the 'consolidated entity' or 'Group') and the consolidated entity's interests in jointly controlled entities.

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to all the years presented, except for a change in Accounting Estimate as stated in Note 2. The Group is a for-profit entity for the purpose of the preparation of the financial statements.

The Financial Report was authorised for issue in accordance with a resolution of the Directors on 30 September 2014.

## NOTE 2. STATEMENT OF COMPLIANCE

### Basis of preparation

This Financial Report has been prepared in accordance with applicable Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*.

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

### Basis of measurement

The Financial Report has been prepared on a historical cost basis, except for non-current provisions for employee benefit liabilities and the revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of consideration given in exchange for assets.

### New and amended standards adopted by the Group

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

- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures;
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting;
- Standards arising from AASB 13;
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011); and
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

The adoption of AASB 11, AASB 13 and AASB 119 resulted in changes in accounting policies however the adjustments to the amounts recognised in the financial statements have not been material. The remaining standards only impacted the disclosures in the notes to the financial statements.

### Change in Accounting Estimate

During the period commencing 1 July 2013, the depreciation estimate of the hire plant and equipment assets was revised from a straight line bases to a 'units of use' basis to better reflect the expected pattern of consumption of these assets.

The 'units of use' has been determined based upon equipment utilisation measured by the number of days on hire within a month against the total number of days available in the month.

The effect of this change in estimate on the depreciation expense for the year ended 30 June 2014 is \$4.6m. The effect on future periods is not disclosed because estimation is impracticable.

The company will continue to adopt this accounting estimate for depreciation in subsequent financial reporting of the business operations.

### Functional and presentation currency

The amounts contained in the Financial Report are presented in Australian dollars; the functional currency of Global Construction Services Limited and each of its subsidiaries and jointly controlled entities.

### Rounding of amounts

The Company is of a kind referred to in ASIC class order 98/0100 and in accordance with the class order has elected to round amounts to the nearest thousand dollars (\$'000) unless otherwise stated.

## NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

### a. Principles of consolidation

#### i. Subsidiaries

Subsidiaries are entities controlled by the Company. The consolidated financial statements are prepared by consolidating the financial statements of all the entities that comprise the Group, being Global Construction Services Limited ("Company" or "Parent Entity") and its subsidiaries as defined in AASB 10: Consolidated Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Acquisitions of entities are accounted for using the acquisition method of accounting.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively. Total comprehensive income is attributable to the owners of Global Construction Services Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

#### Transactions eliminated on consolidation

All intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investments accounted for using the equity method' and 'Share of profit of equity accounted investees' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associate or, if not consumed or sold by the associate, when the consolidated entity's interest in such entity is disposed of.

#### Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interest in the subsidiary. Any differences between the amount of the adjustment to non-controlling interests and any consideration paid or received are transferred to retained earnings.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership in a jointly controlled entity or an associate is reduced, but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

#### ii. Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

#### b. Business combinations

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

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

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

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### b. Business combinations (continued)

Where the Group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

### c. Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

- Revenue from hire of equipment is recognised when the service is provided.
- Revenue from the sale of goods is recognised when the product is delivered to the customer.
- Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value amount of the financial asset.
- Dividends are recognised when the Group's right to receive payment is established.
- Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. For fixed price contracts, the stage of completion is measured by reference to quantity of formwork installed, the concrete poured and costs incurred to date compared to the total construction contracted work. When the outcome of the fixed price construction contract cannot be estimated reliably, revenues are recognised to the extent that costs are recoverable and costs are recognised in the period they are incurred.

- Where it is probable that a loss will arise from the contract, the excess of total costs over revenue is recognised immediately as an expense in the statement of profit or loss.

### d. Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

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

### e. Tax consolidation legislation

Global Construction Services Limited and its wholly-owned Australian subsidiaries have implemented the tax consolidation legislation with effect from 1 July 2007.

The parent entity, Global Construction Services Limited and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Global Construction Services Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from the unused tax losses and unused tax credits assumed from controlled entities within the tax consolidated group.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in its subsidiaries' intercompany accounts with the Group parent entity, Global Construction Services Limited.

#### **f. Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST except where the GST is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

#### **g. Cash and cash equivalents**

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

#### **h. Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently carried at amortised cost less an allowance for any uncollectible amounts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is made on an ongoing basis. An allowance account for impaired trade receivables is made when there is objective evidence that the Group will not be able to collect the amounts owed according to the original terms. When a trade receivable is deemed uncollectible for which an impairment allowance has been recognised, it is written off against the allowance account.

The amount of impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

#### **i. Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average costs. Costs of purchased inventories are determined on deducting discounts but not rebates. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

#### **j. Work in progress**

Construction work in progress is stated at the aggregate of costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amount is shown under Current Liabilities as Deferred Income.

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

#### **k. Investments and other financial assets**

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

#### **l. Loans and receivables**

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

Loans and receivables are carried at amortised cost using the effective interest rate method.

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

#### **m. Fair value estimation**

The entity has applied fair value measurement in accordance with AASB 13 *Fair Value Measurement*. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### n. Property, plant and equipment

Land is measured at fair values. Buildings are measured at fair value less accumulated depreciation. Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated as the revalued amount of the asset.

All other plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment. Subsequent costs are included in the assets carrying amount insofar it is probable future economic benefits will flow to the Group and can be measured reliably. Repairs and maintenance are charged to the profit and loss as incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Buildings 25-50 years
- Equipment 4-40 years
- Vehicles 3-8 years
- Furniture and fittings 3-8 years

Increases in the carrying amount arising on the revaluation of land and buildings are recognised, net of tax in other comprehensive income and credited to a reserve in equity. Decreases that reverse previous increases of the same asset are recognised in other comprehensive income to the extent of the surplus attributable to the asset. All other decrements are charged to the profit and loss.

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at each reporting date. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the statement of profit or loss and other comprehensive income in the year that the item is derecognised. Any revaluation reserve relating to sold assets is transferred to retained earnings.

During the year GCS undertook an assessment of the estimates used in determining the useful life of hire plant and equipment assets, this assessment resulted in a change in estimate with regards to the useful life of these assets.

From 1 July 2013 it has been considered appropriate to depreciate hire plant and equipment based on a 'units of use' basis to better reflect the expected patterns of consumption of these assets. Refer to Note 12 for the effect of this change in estimate.

The 'units of use' has been determined based upon equipment utilisation measured by the number of days on hire within a month against the total number of days available in the month.

The impact of the 'units of use' adjustment compared to the straight line rates above is as follows:

Utilisation %	% of straight line depreciation
0-25	25
26-75	26-75
75-100	100

The company will continue to adopt this accounting estimate for depreciation in subsequent financial reporting of the businesses operations.

### o. Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

### p. Impairment

The Group makes assessments at least twice a year for an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are identifiable cash flows – cash generating units. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

## q. Intangible assets

### i. Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets at the time of acquisition of a combination. Goodwill is not amortised but is assessed at least twice a year for impairment or more frequently where events or changes in circumstances indicate that the carrying value may be impaired.

Goodwill is measured at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

### ii. Identifiable intangible assets

Intangible assets acquired separately or in a business combination are initially measured at the lower of cost or fair value cost at the time of acquisition. The Group assesses identifiable intangible assets as having either finite or indefinite useful lives.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment at least twice a year or whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method are reviewed at least each financial year end. Changes in the expected useful life or flow of economic benefits intrinsic in the asset are an accounting estimate. The amortisation charge on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income. The Group amortises identifiable intangible assets with finite lives for periods between one and twenty years.

Intangible assets with indefinite useful lives are not amortised but assessed for impairment at least twice a year or whenever there is an indication that the intangible asset may be impaired. The assets are assessed either individually or at cash generating unit level. The expected useful life or flow of economic benefits intrinsic in the asset are reviewed at least each financial year end to ascertain whether the indefinite useful life continues to be supportable.

If the indefinite useful life does not continue to be supportable the asset is reclassified as an intangible asset with a definite useful life and will be amortised on a prospective basis. This change is an accounting estimate.

### iii. Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and any impairment losses. Where customer contracts useful lives are assessed as finite, the customer contracts are amortised over their estimated useful lives.

### r. Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of financial performance over the period of the loans and borrowings using the effective interest method.

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

## s. Borrowing costs

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

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

## t. Trade and other payables

Liabilities for trade creditors and other payables are initially measured at fair value and subsequently carried at amortised cost which is the amount of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days. Payables to related parties are carried at the principal amount.

## u. Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimates where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### v. Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave crystallising or expected to be settled within twelve months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and re-measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments based on the contractual due date to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

### w. Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### x. Share based payments

Share based benefits may be provided to directors and employees via the Global Construction Services Limited Employee Option Plan as set out in Note 25.

The fair value of options granted is independently determined using the Black-Scholes Option Valuation model. The option is recognised as an expense with a corresponding increase in equity. Share based payments are measured at grant date and recognised over the period during which option holders become unconditionally entitled to the options.

The fair value of the options granted is adjusted to reflect market vesting conditions. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The benefit recognised each period reflects the most recent estimate. The impact of any revision if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

### y. Segment reporting

The Group has identified and reports its operating segments based on internal reports provided and used by the Group Managing Director to assess performance and allocate resources. The segments identified and reported are by the customer segments Commercial, Residential, and Resource, Industrial, Oil & Gas.

The Group's operations are managed separately and with each segment serving a particular customer base. The Group operates in one geographical segment Western Australia.

The segment results include the allocation of assets where attribution is by segment utilisation irrespective of entity ownership or physical location.

Corporate overheads are not allocated to segments as they are not considered a core function of the operations but a support function.

Investments in shares or financial assets at fair value held by the Group are not allocated to operating segments but are managed as part of the activities of Corporate.

A portion of the Group's borrowings are not allocated to individual segments as they are a component of the overall Group's treasury and funding function.

### z. Earnings per share

#### i. Basic earnings per share

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

#### ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares outstanding plus the weighted average number of ordinary shares that would be issued on the conversion of all potential ordinary shares into ordinary shares.

### aa. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future.

Estimates and assumptions are continuously and rigorously evaluated based on historical experience, research and other factors including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### i. Estimated impairment of assets and intangibles

The Group tests at least twice a year whether assets and intangibles has suffered any impairment in accordance with the accounting policy stated in Note 3(p) and Note 3(q). The recoverable amounts of cash generating units have been determined on value in use calculations. Refer to Note 13(c) for details of the assumptions used in these calculations.

## ii. Construction contracts

The Group enters into construction contracts to undertake formwork supply and installation for a fixed sum and price. When the outcome of the fixed price construction contract can be estimated reliably, revenue and costs are accounted for on a stage of completion method. The stage of completion is established by comparing costs incurred to date against estimated cost to complete and total cost which requires the use of estimates and assumptions.

When the outcome of the fixed price construction contract cannot be estimated reliably, revenues are recognised to the extent that costs are recoverable and costs are recognised in the period they are incurred.

## iii. Depreciation

As at 1 July 2013, the depreciation estimate of the hire plant and equipment assets was revised from a straight line bases to a 'units of use' basis to better reflect the expected pattern of consumption of these assets. The 'units of use' has been determined based upon equipment utilisation measured by the number of days on hire within a month against the total number of days available in the month. The company will continue to adopt this accounting estimate for depreciation in subsequent financial reporting of the business operations. Refer to Note 3(n) for further details on depreciation.

## ab. New accounting standards and interpretations not yet effective

The following new accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2014. They have not been adopted in preparing the financial statements for the year ended 30 June 2014 and are expected to impact the entity in the period of initial application. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 Financial Instruments and its consequential amendments. This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018. As the entity does not have any financial liabilities measured at fair value through profit or loss. The amendments will not require any changes in fair value attributable to liabilities.
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets. These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.
- 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### ab. New accounting standards and interpretations not yet effective (continued)

- 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.

## NOTE 4. SEGMENT INFORMATION

### a. Description of segments

Management has determined that strategic decision making is facilitated and enhanced by evaluation of operations on the customer segments of Commercial, Residential and Resource, Industrial, Oil & Gas. For each of the strategic operating segments, the Group Managing Director reviews internal management reports on a monthly basis.

The Managing Director assesses the performance of the operating segments based on a measure of adjusted EBITDA. This measurement excludes certain non-recurring expenditures which are of an isolated nature such as equity settled share based payments and corporate activities pertaining to the overall group including the treasury function which manages the cash and funding arrangements of the group.

GCS Group supplies an extensive range of specialised labour services and equipment including hire and sales of scaffolding, formwork, material hoists, and temporary site accommodation, chemical toilets, general plant hire, temporary fencing. Together with delivery and pick up, installation and dismantling and related estimating, design and engineering services, plus supply and installation of concrete in the Commercial segment.

## CUSTOMER SECTORS

Our strong market presence and customised solutions, makes us the leading supplier to the Commercial, Residential, Resource, Industrial, Oil & Gas sectors.

The following summary describes the operations in each of the group's reportable segments:



Resource, Industrial, Oil & Gas

The operations in the Resource, Industrial, Oil & Gas sector consist of supplying a range of products and services to customers involved in either construction or maintenance of the following types of projects; Oil and gas, energy, major infrastructure, mining, power generation, water treatment plants, decommissioning, shutdowns, and civil works. Contracts vary in length from short to long term.



Commercial

The operations in the Commercial sector consist of supplying a range of products and services to customers involved in the construction or maintenance of commercial and mixed-use developments. These typically include office towers, high rise apartments, shopping centres, hotels, car parks, recreational buildings, and hospitals. Contracts are typically medium to long term.



Residential

The operations in the Residential sector consist of supplying a range of products and services to customers involved in the construction or maintenance of single and multi-story residential developments. These typically include houses, townhouses, units, and apartments. Contracts are generally short to medium term.





## b. Segment information provided to the Group Managing Director

## SEGMENT INFORMATION

## Year ended 30 June 2014

	Commercial \$'000	Residential \$'000	Resource, Industrial, Oil & Gas \$'000	Total \$'000
Total segment revenue	134,424	26,259	57,872	218,555
Intersegment revenue	(50,269)	(1,124)	(7,034)	(58,427)
<b>Revenue from external customers</b>	<b>84,155</b>	<b>25,135</b>	<b>50,838</b>	<b>160,128</b>
Other revenue	213	92	20	325
<b>Total revenue</b>	<b>84,368</b>	<b>25,227</b>	<b>50,858</b>	<b>160,453</b>
<b>Adjusted EBITDA</b>	<b>12,839</b>	<b>5,834</b>	<b>13,316</b>	<b>31,989</b>
Depreciation and amortisation	(5,142)	(1,539)	(4,639)	(11,320)
Unallocated amounts: Depreciation and amortisation				(685)
Unallocated amounts: Other revenue				2,245
Unallocated amounts: Corporate				(6,792)
Finance costs				(6,048)
Share of profit of equity accounted investees				1,702
<b>Profit before income tax expense</b>				<b>11,091</b>
Income tax expense				(2,926)
<b>Profit after Income tax expense</b>				<b>8,165</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 4. SEGMENT INFORMATION (continued)****b. Segment information provided to the Group Managing Director (continued)****Year ended 30 June 2014 (continued)**

	Commercial \$'000	Residential \$'000	Resource, Industrial, Oil & Gas \$'000	Total \$'000
<b>Segment assets</b>	<b>129,716</b>	<b>32,711</b>	<b>71,016</b>	<b>233,443</b>
<i>Unallocated assets:</i>				
Intersegment eliminations				(22,993)
<i>Corporate assets:</i>				
Cash and cash equivalents				3,663
Receivables				14,538
Prepayments				207
Property, plant and equipment				13,573
Intangibles				1
Goodwill				51,449
Share of equity accounted investees (net of income tax)				6,625
Current tax assets				571
Deferred tax assets				4,923
<b>Total assets per statement of financial position</b>				<b>306,000</b>
<b>Segment liabilities</b>	<b>52,840</b>	<b>7,526</b>	<b>24,819</b>	<b>85,185</b>
<i>Unallocated Liabilities:</i>				
Intersegment eliminations				(23,992)
<i>Corporate liabilities:</i>				
Trade and other payables				2,242
Current loans and borrowings				4,810
Non-current loans and borrowings				25,340
Income tax (benefit) payable				-
Provisions				255
Deferred tax liabilities				14,119
<b>Total liabilities per statement of financial position</b>				<b>107,959</b>

There was no impairment charge or other significant non cash item recognised in 2014.



	Commercial \$'000	Residential \$'000	Resource, Industrial, Oil & Gas \$'000	Total \$'000
<b>Year ended 30 June 2013</b>				
Total segment revenue	174,190	23,329	79,439	276,958
Intersegment revenue	(64,409)	(2,215)	(10,023)	(76,647)
<b>Revenue from external customers</b>	<b>109,781</b>	<b>21,114</b>	<b>69,416</b>	<b>200,311</b>
Other revenue	722	122	37	881
<b>Total revenue</b>	<b>110,503</b>	<b>21,236</b>	<b>69,453</b>	<b>201,192</b>
<b>Adjusted EBITDA</b>	<b>29,338</b>	<b>4,053</b>	<b>19,098</b>	<b>52,489</b>
Depreciation and amortisation	(6,372)	(1,918)	(7,710)	(16,000)
Unallocated amounts: Depreciation and amortisation				(1,323)
Unallocated amounts: Other revenue				1,891
Unallocated amounts: Corporate				(7,320)
Finance costs				(7,504)
Share of profit of equity accounted investees				656
<b>Profit before income tax expense</b>				<b>22,889</b>
Income tax expense				(7,549)
<b>Profit after income tax expense</b>				<b>15,340</b>
<b>Segment assets</b>	<b>153,961</b>	<b>29,634</b>	<b>80,311</b>	<b>263,906</b>
<i>Unallocated assets:</i>				
Intersegment eliminations				(26,100)
<i>Corporate assets:</i>				
Cash and cash equivalents				1,231
Receivables				14,432
Prepayments				205
Property, plant and equipment				13,704
Intangibles				429
Goodwill				51,449
Share of equity accounted investees (net of income tax)				4,923
Deferred tax assets				795
<b>Total per statement of financial position</b>				<b>324,974</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 4. SEGMENT INFORMATION (continued)****b. Segment information provided to the Group Managing Director (continued)****Year ended 30 June 2013 (continued)**

	Commercial \$'000	Residential \$'000	Resource, Industrial, Oil & Gas \$'000	Total \$'000
<b>Segment liabilities</b>	<b>94,000</b>	<b>9,294</b>	<b>39,618</b>	<b>142,912</b>
<i>Unallocated Liabilities:</i>				
Intersegment eliminations				(10,761)
<i>Corporate Liabilities</i>				
Trade and other payables				230
Current loans and borrowings				5,840
Non-current loans and borrowings				23,937
Income tax (benefit) payable				(27,345)
Provisions				208
Deferred tax liabilities				77
<b>Total liabilities per statement of financial position</b>				<b>135,098</b>

There was no impairment charge or other significant non cash item recognised in 2013.

**NOTE 5. REVENUE, OTHER INCOME AND EXPENSES**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Revenues, other income and expenses from continuing operations</b>		
<b>a. Continuing operations</b>		
Hire of equipment and related services	111,387	142,626
Contracting	32,399	41,800
Sale of goods	16,342	15,885
	<b>160,128</b>	<b>200,311</b>
Approximately 21% (2013: 16%) of the consolidated entity's revenue is derived from a single customer.		
<b>b. Other revenue</b>		
Management service fees	30	30
Interest received	933	777
Rebates	-	56
	<b>963</b>	<b>863</b>
<b>Other Income</b>		
Net gains/(loss) on disposal of plant and equipment	5	272
Unrealised foreign exchange gains/(losses)	(1)	1
Property rental income	113	59
Other	95	223
	<b>212</b>	<b>555</b>
	<b>1,175</b>	<b>1,418</b>
<b>c. Other expenses</b>		
Impaired receivables in relation to Forge Group Limited <sup>(1)</sup>	1,754	-
Other impaired trade receivables	131	399
	<b>1,885</b>	<b>399</b>
<b>d. Depreciation and amortisation</b>		
<i>Depreciation:</i>		
Buildings and leasehold improvements	336	311
Office and computer equipment	360	378
Motor vehicles	1,004	1,435
Plant and rental equipment	9,826	14,130
<b>Total depreciation</b>	<b>11,526</b>	<b>16,254</b>
Amortisation	479	1,069
	<b>12,005</b>	<b>17,323</b>

<sup>(1)</sup> Pre tax bad debt write-off related to the collapse of the Forge Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 5. REVENUE, OTHER INCOME AND EXPENSES (continued)**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>e. Operating leases expensed through profit and loss</b>		
Properties	5,515	4,980
Motor vehicles and mobile equipment	601	394
	<b>6,116</b>	<b>5,374</b>
<b>f. Impairment of other assets</b>		
Inventories	(541)	(607)
	<b>(541)</b>	<b>(607)</b>
<b>g. Employee benefit expenses</b>		
Defined contribution superannuation expense	4,690	5,754
	<b>4,690</b>	<b>5,754</b>

**NOTE 6. INCOME TAX EXPENSE**

<b>a. Income tax expense</b>		
Current tax	2,301	5,617
Deferred tax	194	1,708
Adjustment for tax of prior periods	431	224
<b>Aggregate income tax expense</b>	<b>2,926</b>	<b>7,549</b>
<b>Deferred income tax (benefit)/expense included in income tax expense comprises:</b>		
Decrease/(increase) in deferred tax assets	(35)	(450)
(Decrease)/increase in deferred tax liabilities	229	2,158
	<b>194</b>	<b>1,708</b>
<b>b. Numerical reconciliation of tax expense to prima facie tax payable</b>		
Profit from operations before income tax expense	11,091	22,889
Tax at the Australian tax rate of 30% (2013: 30%)	3,327	6,867
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(832)	448
Adjustment for tax of prior periods	431	234
<b>Income tax expense</b>	<b>2,926</b>	<b>7,549</b>
<b>c. Amounts recognised directly in equity</b>		
Net deferred tax – debited (credited) directly to equity	-	(504)





**d. Tax consolidation**

Global Construction Services Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2007. The accounting policy in relation to this legislation is set out in Note 3(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the parent entity, Global Construction Services Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Global Construction Services Limited for any current tax payable assumed and are compensated by Global Construction Services Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits transferred to Global Construction Services Limited.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the parent entity. The parent entity may also require payment of interim funding amounts to assist with the payment of instalment obligations. The funding amounts are recognised as non-current intercompany receivables.

**NOTE 7. CASH AND CASH EQUIVALENTS**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Cash at bank and in hand	13,808	15,317
	<b>13,808</b>	<b>15,317</b>
<b>a. Reconciliation to cash at the end of the year</b>		
The cash and cash equivalents reconcile to the cash at the end of the financial year as shown in the statement of cash flows as follows:		
<b>Balances as above</b>		
Cash at bank and in hand	13,808	15,317
Balances as per statement of cash flows	13,808	15,317

The Group's exposure to interest rate risk is discussed in Note 32. The Group's exposure to foreign currency risk is discussed in Note 32.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 8. TRADE AND OTHER RECEIVABLES

### Current

	2014 \$'000	2013 \$'000
Trade receivables	27,329	39,800
Allowance for impairment	(666)	(740)
	<b>26,663</b>	<b>39,060</b>
Other receivables	879	859
	<b>27,542</b>	<b>39,919</b>

### a. Terms and conditions relating to the above financial instruments

- Trade receivables are non-interest bearing and generally on 30 day terms; and
- other receivables relate to minor Group transactions arising outside normal operating activities. Interest may be charged at commercial rates and terms are generally 30 days.

### b. Impaired trade receivables

The Group recognised a loss of \$1,884,668 in impaired trade receivables during the year ended 30 June 2014 (2013: \$399,347). The Group carries an allowance for impaired trade receivables of \$666,147 (2013: \$739,549). The individual allowance for impaired receivables are segmented as Commercial; \$551,464 (2013: \$611,052), Residential; \$57,388 (2013: \$38,273), Resource, Industrial, Oil & Gas; \$57,295 (2013: \$90,224). It is anticipated a portion of these receivables will be recoverable. Refer to Note 32 for additional information and ageing on impaired trade receivables.

Movements in the allowance for impaired trade receivables are as follows:

At the beginning of the financial year	740	776
Allowance for impairment, recognised during the year	1,811	363
Receivables written off as uncollectable	(1,885)	(399)
	<b>666</b>	<b>740</b>

The establishment of the allowance for impaired receivables is included in 'other expenses' in the profit and loss. Amounts charged to the provision are written off when there is no expectation of recovery.

### c. Credit risk

Refer to Note 32 for information on credit risk policies.

## NOTE 9. INVENTORIES

### Current

Inventory	2,211	6,117
Construction work in progress	3,578	204
	<b>5,789</b>	<b>6,321</b>

Inventories recognised as an expense during the year ended 30 June 2014 amounted to \$13,718,253 (2013: \$13,374,944). Obsolete stock was included in this amount of \$634,991 (2013: \$112,000).

**NOTE 10. NON-CURRENT RECEIVABLES****Non-current**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Loans to related parties	9,736	9,594
Other	6	8
	<b>9,742</b>	<b>9,602</b>

As at 30 June 2014, Global Construction Services Limited had a loan outstanding of \$736,119 (2013: \$591,104) from GCS Concrete Pumping Pty Ltd which is being utilised by the business as working capital. The loan is unsecured and accrues interest in accordance with the shareholders agreement. Global Construction Services Limited holds a 50% interest in GCS Concrete Pumping Pty Ltd as a joint venture.

As at 30 June 2014, Global Construction Services Ltd had a loan outstanding of \$9,000,000 (2013: \$9,000,000) from SmartScaff Pty Ltd which is being utilised by the business as working capital. The loan is secured and accrues interest at the rate of the Commercial Bill rate plus 2% margin per annum. Global Construction Services Limited holds a 50% interest in SmartScaff Pty Ltd.

**NOTE 11. INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD**

Global Construction Services Limited is party to a joint venture In GCS Concrete Pumping Pty Ltd. Global Construction Services Limited has a 50% Interest in the issued shares and equity of the entity. GCS Concrete Pumping Pty Ltd provides concrete pump hire and contracting services to the commercial construction market in Western Australia.

Global Construction Services Limited holds an interest in an associate entity SmartScaff Pty Ltd, a scaffolding company with operations and facilities in Melbourne, Sydney and Brisbane. Global Construction Services Limited has a 50% Interest in the issued shares and equity of the entity.

The interest of Global Construction Services Limited is accounted in the consolidated financial statements using the equity method of accounting. Global Construction Services Limited share of results, assets and liabilities are as follows:

**Movements in carrying amounts**

Carrying amount at the beginning of the financial year	4,923	4,267
Share of profits after income tax	1,702	656
<b>Carrying amount at the end of the financial year</b>	<b>6,625</b>	<b>4,923</b>

<b>Name of Entity</b>	<b>Place of Business/Country of Incorporation</b>	<b>Ownership interest held by the Group</b>		<b>Nature of relationship</b>	<b>Measurement method</b>	<b>Fair value</b>
		<b>2014</b>	<b>2013</b>			
GCS Concrete Pumping Pty Ltd	Australia	50%	50%	Joint Venture	Equity Method	N/A*
SmartScaff Pty Ltd	Australia	50%	50%	Associate	Equity Method	N/A*

\*Private company – no share price available

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 11. INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

	GCS Concrete Pumping Pty Ltd		SmartScaff Pty Ltd	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Summarised statement of financial position</b>				
<b>Current Assets</b>				
Cash and cash equivalents	32	3		
Other current assets	221	65		
<b>Total Current Assets</b>	<b>253</b>	<b>68</b>	<b>6,142</b>	<b>5,752</b>
<b>Non-Current Assets</b>	<b>1,633</b>	<b>1,774</b>	<b>34,506</b>	<b>31,342</b>
<b>TOTAL ASSETS</b>	<b>1,886</b>	<b>1,842</b>	<b>40,648</b>	<b>37,094</b>
<b>Current Liabilities</b>				
Trade payables and provisions	130	143		
Current financial liabilities	-	-		
Other current liabilities	165	201		
<b>Total Current Liabilities</b>	<b>295</b>	<b>344</b>	<b>3,403</b>	<b>2,401</b>
<b>Non-Current Liabilities</b>				
Non-current financial liabilities	1,033	868		
Other non-current liabilities	234	386		
<b>Total Non-Current Liabilities</b>	<b>1,267</b>	<b>1,254</b>	<b>25,653</b>	<b>26,428</b>
<b>TOTAL LIABILITIES</b>	<b>1,562</b>	<b>1,598</b>	<b>29,056</b>	<b>28,829</b>
<b>NET ASSETS</b>	<b>324</b>	<b>244</b>	<b>11,592</b>	<b>8,265</b>
Fair value adjustment on acquisition	-	-	1,336	1,336
<b>Closing net assets</b>	<b>324</b>	<b>244</b>	<b>12,928</b>	<b>9,602</b>
Groups share	50%	50%	50%	50%
<b>Carrying Amount</b>	<b>162</b>	<b>122</b>	<b>6,464</b>	<b>4,801</b>



	GCS Concrete Pumping Pty Ltd		SmartScaff Pty Ltd	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Summarised statement of profit or loss and other comprehensive income</b>				
<b>Revenue</b>	<b>983</b>	<b>449</b>	<b>16,935</b>	<b>12,292</b>
Operating and Administration expenses	(653)	(511)		
Interest income	-	-		
Depreciation and amortisation	(132)	(130)		
Interest expense	(87)	(84)		
Income tax expense	(33)	81		
<b>Profit for the period</b>	<b>78</b>	<b>(195)</b>	<b>3,327</b>	<b>1,506</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>78</b>	<b>(195)</b>	<b>3,327</b>	<b>1,506</b>
<b>Groups Share in profit</b>	<b>39</b>	<b>(97)</b>	<b>1,663</b>	<b>753</b>

As at 30 June 2014, Global Construction Services Limited had a loan outstanding of \$9,000,000 (2013: \$9,000,000) from SmartScaff Pty Ltd which is being utilised by the business as working capital. The loan is secured and accrues interest at the rate of the Commercial Bill rate plus 2% margin per annum. Global Construction Services Limited holds a 50% interest in SmartScaff Pty Ltd.

As at 30 June 2014, Global Construction Services Limited had a loan outstanding of \$736,119 (2013: \$591,104) from GCS Concrete Pumping Pty Ltd which is being utilised by the business as working capital. The loan is unsecured and accrues interest in accordance with the shareholders agreement. Global Construction Services Limited holds a 50% interest in GCS Concrete Pumping Pty Ltd as a joint venturer. GCS Concrete Pumping Pty Ltd had no capital commitments as at 30 June 2014 (2013: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings and Leasehold Improvement \$'000	Office and Computer Equipment \$'000	Motor Vehicles \$'000	Plant and Rental Equipment \$'000	Total \$'000
<b>YEAR ENDED 30 JUNE 2013</b>						
Opening net book amount	9,054	4,934	972	4,956	149,356	169,272
Additions	695	361	510	811	30,035	32,412
Disposals	-	(15)	(9)	(473)	(4,430)	(4,927)
Depreciation charge	-	(311)	(378)	(1,435)	(14,130)	(16,254)
<b>Closing net book amount</b>	<b>9,749</b>	<b>4,969</b>	<b>1,095</b>	<b>3,859</b>	<b>160,831</b>	<b>180,503</b>
<b>AS AT 30 JUNE 2013</b>						
Cost of fair value	9,749	6,265	2,863	10,442	201,707	231,026
Accumulated depreciation	-	(1,296)	(1,768)	(6,583)	(40,876)	(50,523)
<b>Net book amount</b>	<b>9,749</b>	<b>4,969</b>	<b>1,095</b>	<b>3,859</b>	<b>160,831</b>	<b>180,503</b>
<b>AS AT 1 JULY 2013</b>						
Opening net book amount	9,749	4,969	1,095	3,859	160,831	180,503
Additions	-	116	334	116	6,858	7,424
Disposals	-	(8)	(51)	(215)	(2,398)	(2,672)
Depreciation charge	-	(336)	(360)	(1,004)	(9,826)	(11,526)
<b>Closing net book amount</b>	<b>9,749</b>	<b>4,741</b>	<b>1,018</b>	<b>2,756</b>	<b>155,465</b>	<b>173,729</b>
<b>AS AT 30 JUNE 2014</b>						
Cost of fair value	9,749	6,288	3,027	9,248	199,600	227,912
Accumulated depreciation	-	(1,547)	(2,009)	(6,492)	(44,135)	(54,183)
<b>Net book amount</b>	<b>9,749</b>	<b>4,741</b>	<b>1,018</b>	<b>2,756</b>	<b>155,465</b>	<b>173,729</b>

Refer note 2 'Changes in Accounting Estimate,' as of 1 July 2013, the depreciation estimate of hire plant and equipment assets was revised from a straight line basis to a 'units of use' basis to better reflect the expected pattern of consumption of these assets.



**a. Assets in the course of construction**

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to land, plant and rental equipment which is in the course of construction.

**Assets in the course of construction**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Plant and rental equipment	59	276
	<b>59</b>	<b>276</b>

Assets in the course of construction are not depreciated. Depreciation is recognised from when the asset is ready for use.

**b. Leased assets**

Plant and rental equipment includes the following amounts where the Group is a lessee under a finance lease or hire purchase agreement.

**Net carrying amount**

<b>84,874</b>	<b>89,904</b>
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**NOTE 13. INTANGIBLE ASSETS****a. Intangible asset movement****30 June 2013**

	<b>Goodwill \$'000</b>	<b>Customer Contracts \$'000</b>	<b>Other Intangibles \$'000</b>	<b>Total \$'000</b>
Opening net book amount as at 1 July 2012	58,535	1,499	123	60,157
Amortisation expense	-	(1,069)	-	(1,069)
<b>Closing net book amount as at 30 June 2013</b>	<b>58,535</b>	<b>430</b>	<b>123</b>	<b>59,088</b>
Cost	58,535	2,750	184	61,469
Accumulated amortisation and impairment	-	(2,320)	(61)	(2,381)
<b>Closing net book amount as at 30 June 2013</b>	<b>58,535</b>	<b>430</b>	<b>123</b>	<b>59,088</b>

**30 June 2014**

Opening net book amount as at 1 July 2013	58,535	430	123	59,088
Amortisation expense	-	(430)	(49)	(479)
<b>Closing net book amount as at 30 June 2014</b>	<b>58,535</b>	<b>-</b>	<b>74</b>	<b>58,609</b>
Cost	58,535	2,750	184	61,469
Accumulated amortisation and impairment	-	(2,750)	(110)	(2,860)
<b>Closing net book amount as at 30 June 2014</b>	<b>58,535</b>	<b>-</b>	<b>74</b>	<b>58,609</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## b. Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to the customer segment.

The customer segment-level of goodwill is as follows:

	2014 \$'000	2013 \$'000
Commercial	50,729	50,729
Residential	7,806	7,806
	<b>58,535</b>	<b>58,535</b>

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates below.

	Growth Rate		Discount Rate	
	2014 %	2013 %	2014 %	2013 %
<b>c. Key assumptions used for value-in-use calculations</b>				
<b>Cash generating unit</b>				
Commercial	6	6	12.8	12.8
Residential	3	3	12.8	12.8
Resource, Industrial, Oil & Gas	5	5	12.8	12.8

These assumptions are used in analysing each CGU within the business segment. The weighted average growth rates are consistent with current and forecasted conditions, the nature of fixed contracts in place and reflect management's outlook on growth. Margins are based on individual segment past performance accounting for fixed contracts and also reflect industry forecasts of the economic climate. The discount rate used is the Group's weighted average cost of capital and reflects the specific risks relating to the individual segment.

## d. Sensitivity

As disclosed in Note 3, the Directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur, the resulting goodwill may vary in carrying amount. The sensitivities are as follows;

- A reduction in the weighted average growth rates of 2% for each CGU; the Group is satisfied it will not incur an impairment charge in its carrying amount of Goodwill or property, plant and equipment.
- An increase of 2% on management's estimation in the pre tax discount rate of the weighted average cost of capital in each CGU; the Group is satisfied it will not incur an impairment charge in its carrying amount of Goodwill or property, plant and equipment.
- Upon assessment of the Group's CGU discounted estimated future cash flows, the Directors of Global Construction Services Limited are satisfied that no impairment charge is deemed for the year ended 30 June 2014.

**NOTE 14. NON-CURRENT ASSETS – DEFERRED TAX ASSETS**

	2014 \$'000	2013 \$'000
<i>The balance comprises temporary differences attributable to:</i>		
Plant and equipment	2,064	2,210
Employee benefits	1,401	1,602
Doubtful debts	200	221
	<b>3,665</b>	<b>4,033</b>
Other	1,258	855
<b>Subtotal other</b>	<b>1,258</b>	<b>855</b>
<b>Total deferred tax assets</b>	<b>4,923</b>	<b>4,888</b>
Deferred tax assets to be recovered within 12 months	4,235	4,237
Deferred tax assets to be recovered after more than 12 months	688	651
	<b>4,923</b>	<b>4,888</b>

**Movements****Consolidated****AT 30 JUNE 2012***(Charged)/credited: to profit or loss*

	Plant and Equipment \$'000	Employee Benefits \$'000	Doubtful Debts \$'000	Other \$'000	Total \$'000
Profit or loss	2,101	(267)	(12)	(1,418)	404
Directly to equity	-	-	-	504	504
<b>AT 1 JULY 2013</b>	<b>2,210</b>	<b>1,602</b>	<b>221</b>	<b>855</b>	<b>4,888</b>

*(Charged)/credited: to profit or loss*

Profit or loss	(146)	(201)	(21)	403	35
Directly to equity	-	-	-	-	-
<b>AT 30 JUNE 2014</b>	<b>2,064</b>	<b>1,401</b>	<b>200</b>	<b>1,258</b>	<b>4,923</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 15. OTHER FINANCIAL ASSETS****Non-current**

Deposits held in trust on property leases (carried at cost)

2014 \$'000	2013 \$'000
113	118

**NOTE 16. TRADE AND OTHER PAYABLES****Current**Trade payables <sup>(a)</sup>Other payables <sup>(b)</sup>

11,964	16,249
3,279	4,364
<b>15,243</b>	<b>20,613</b>

<sup>(a)</sup> Trade creditors are non-interest bearing and normally settled on terms ranging from 14 to 30 days.<sup>(b)</sup> Other payables include accruals for employee benefits of annual leave and sick leave. Annual leave and sick leave is measured and presented as current.

The Group does not have an unconditional right to defer settlement, however based on past experience, the Group does not anticipate the full amount of the accrued annual leave to be taken within the next twelve months. Accrued sick leave will be settled within the current period in accordance with the Enterprise Bargaining Agreement applicable to those employees.

The following amounts reflect the annual leave benefits evaluated not to be settled within the next twelve months. This is the leave obligation payable today, the balance has not been discounted to the present value as the change has been considered to be immaterial after factoring in both pay increases and the time value of money.

Annual leave obligations evaluated as likely to be settled after twelve months

208	662
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**NOTE 17. BORROWINGS****Current***Unsecured*

Borrowings

**Total unsecured current borrowings***Secured*

Bank bill facility

Hire purchase finance

Lease liability

**Total secured current borrowings****Total current borrowings****Non-current***Secured*

Bank bill facility

Hire purchase finance

Lease liability

**Total secured non-current borrowings**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
	2,713	4,745
	<b>2,713</b>	<b>4,745</b>
	2,000	1,000
	18,536	19,566
	523	432
	<b>21,059</b>	<b>20,998</b>
	<b>23,772</b>	<b>25,743</b>
	25,340	23,840
	28,228	46,521
	85	565
	<b>53,653</b>	<b>70,926</b>

**a. Unsecured borrowings**

Current unsecured borrowings are repayable in 12 monthly instalments and bear interest at a flat rate of 2.78% (2013: 2.97%) per annum.

**b. Lease & HP liabilities**

The lease & HP liabilities are secured by the rights to the asset in the event of a default. The carrying value of assets pledged as security is disclosed in Note 12b.

**c. Secured borrowings**

The secured borrowings relate to a bill facility from Westpac Banking Corporation that has been secured by a fixed and floating charge over the assets of the Group. Principal repayments of \$500,000 will be made on a quarterly basis. The bill facility is due to expire 31 October 2015.

**d. Risk exposures**

Details of the Group's exposure to risks on borrowings are set out in Note 32.

Global Construction Services Limited has access to a total bank bill facility of \$28.9m (2013: \$33.9m). The facility is drawn to \$27.3m at 30 June 2014 (2013: \$24.8m). The carrying value of the Group's assets under a fixed and floating charge is \$238m (2013: \$257m).

**e. Fair Value**

The fair value of borrowings is not materially different from its carrying amount since interest payable on these borrowings are either close to current market rates or the borrowings are of a short term nature.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 18. DEFERRED INCOME

## Current

	2014 \$'000	2013 \$'000
Deferred income	220	1,011
<b>Total unearned income</b>	<b>220</b>	<b>1,011</b>

GCS recognises contract revenue in accordance with the percentage of completion method where the outcomes can be reliability measured. Construction work in progress is stated at the aggregate of costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amount is classified as deferred income.

## NOTE 19. PROVISIONS

## Non-current

Employee benefits – Long service leave	952	858
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The provision for long service leave is recognised as a present value of expected future payments in respect of services provided up to the reporting date using the projected current unit method. Of the total provision, \$521k (2013: \$433k) of long service leave is current as the Group does not have the right to defer settlement.

## NOTE 20. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

*The balance comprises differences attributable to:*

Plant and equipment	13,481	13,279
Other	638	611
<b>Total deferred tax liabilities</b>	<b>14,119</b>	<b>13,890</b>
Deferred tax liabilities to be recovered within 12 months	14,119	13,890
Deferred tax liabilities to be recovered after more than 12 months	-	-
<b>Total deferred tax liabilities</b>	<b>14,119</b>	<b>13,890</b>

## Movements

## Consolidated

## AT 30 JUNE 2012

*(Charged)/credited to:*

	Plant and Equipment \$'000	Other \$'000	Total \$'000
Profit or loss	2,055	103	2,158
<b>AT 1 JULY 2013</b>	<b>13,279</b>	<b>611</b>	<b>13,890</b>

*(Charged)/credited to:*

	Plant and Equipment \$'000	Other \$'000	Total \$'000
Profit or loss	202	27	229
<b>AT 30 JUNE 2014</b>	<b>13,481</b>	<b>638</b>	<b>14,119</b>



**NOTE 21. CONTRIBUTED EQUITY****a. Number of ordinary shares and value of contributed equity****Ordinary shares**

	<b>2014</b>	<b>2013</b>
Contributed equity – number of shares	170,441,966	170,441,966
Contributed equity – \$'000	128,601	128,601

**b. Movements in ordinary share capital**

		<b>Number of shares</b>	<b>Issue Price \$</b>	<b>\$'000</b>
<b>30 June 2012</b>	<b>Balance</b>	<b>116,464,741</b>		<b>97,355</b>
14 September 2012	Institutional placement	17,267,706	0.60	10,361
14 September 2012	Institutional rights issue 5 for 16	28,133,801	0.60	16,880
10 October 2012	Retail rights issue 5 for 16	8,392,804	0.60	5,036
05 April 2013	Dividend reinvestment plan issue	182,914	0.79	145
	Deferred tax previously recognised directly in equity			504
	Less: Transaction costs arising on share issue			(1,680)
	<b>Movement during the year</b>	<b>53,977,225</b>		<b>31,246</b>
<b>30 June 2013</b>	<b>Balance</b>	<b>170,441,966</b>		<b>128,601</b>
	<b>Movements during the year</b>	<b>-</b>		<b>-</b>
<b>30 June 2014</b>	<b>Balance</b>	<b>170,441,966</b>		<b>128,601</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 21. CONTRIBUTED EQUITY (continued)

### c. Ordinary shares

Fully paid ordinary shares carry one vote per share and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Ordinary shares have no par value and the Company does have a limit on the amount of authorised capital.

### d. Options

Information relating to the Global Construction Services Limited Employee Option Plan, including details of options issued, exercising and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 25.

### e. Capital risk management

The Group's objective when managing capital is to safeguard its ability to operate as a going concern, provide returns for shareholders and stakeholders, continue as a going concern and to maintain a capital structure that optimises the cost of capital.

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

The Group and the parent entity monitor capital via a number of methods including:

#### i. The economic gearing ratio (EGR)

- The EGR is calculated as net debt divided by total capital.
- Net debt is calculated as the total secured borrowings less fixed charge asset backed facilities and hire purchase facilities less cash and cash equivalents.
- Total capital is calculated as equity (including non-controlling interest) plus net debt.

#### ii. The gearing ratio

- The gearing ratio is calculated as net debt divided by total capital.
- Net debt is total borrowings including trade and other payables less cash and cash equivalents.
- Total capital is calculated as equity (including non-controlling interest) plus net debt.

### Economic gearing ratio

Total secured borrowings

Less: asset backed leases and hire purchase facilities

Less: cash and cash equivalents

**Net debt**

Equity

**Total capital**

**Economic gearing ratio**

	2014 \$'000	2013 \$'000
Total secured borrowings	74,712	91,924
Less: asset backed leases and hire purchase facilities	(47,372)	(67,084)
Less: cash and cash equivalents	(13,808)	(15,317)
<b>Net debt</b>	<b>13,532</b>	<b>9,523</b>
Equity	198,041	189,876
<b>Total capital</b>	<b>211,573</b>	<b>199,399</b>
<b>Economic gearing ratio</b>	<b>6%</b>	<b>5%</b>



### Gearing ratio

Total borrowings

Less: cash and cash equivalents

### Net debt

Total equity

### Total capital

### Gearing ratio

2014 \$'000	2013 \$'000
92,888	118,293
(13,808)	(15,317)
<b>79,080</b>	<b>102,976</b>
198,041	189,876
<b>277,121</b>	<b>292,852</b>
<b>29%</b>	<b>35%</b>

### Compliance with externally imposed capital requirements

The Group has bank bill facility agreements that require it to satisfy certain financial ratio covenants during the financial year. The Group monitors these covenants and it has complied with its externally imposed capital requirements during the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 21. CONTRIBUTED EQUITY (continued)****f. Reserves**

i. Share Option Reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

**Movements in reserves**

Share option reserve

Balance 1 July

Options issued during the year

**Balance 30 June**

<b>2014 \$'000</b>	<b>2013 \$'000</b>
140	140
-	-
<b>140</b>	<b>140</b>

**g. Retained earnings****Movements in retained earnings**

Balance 1 July

Net profit for the year

Dividends and other equity distributions

**Balance 30 June**

61,135	49,200
8,165	15,340
-	(3,405)
<b>69,300</b>	<b>61,135</b>

**NOTE 22. DIVIDENDS****a. Dividends paid or payable**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
The Directors have determined not to pay a final dividend for the year ended 30 June 2014	-	
The Directors determined not to pay an interim dividend for the year ended 30 June 2014	-	
The Directors determined not to pay a final dividend for the year ended 30 June 2013		-
Interim dividend for the year ended 30 June 2013 of 2 cents per share, fully franked, declared on 15 March 2013, paid on 5 April 2013 (Dividend Reinvestment Plan applied)		3,405
<b>Total dividend paid or payable</b>	<b>-</b>	<b>3,405</b>

**b. Dividends not recognised at year end**

With expectations of increased activity and associated investment in the forthcoming period, the Board has determined to not declare a dividend for the financial year ended 30 June 2014. (2013: 2.00 cents, DRP applied).

Franking credits available at the reporting date based on a tax rate of 30%	20,562	16,390
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	2,301	5,617
<b>Franking credits available for subsequent financial years based on a tax rate of 30%</b>	<b>22,863</b>	<b>22,007</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 23. EARNINGS PER SHARE**

	<b>2014 Cents</b>	<b>2013 Cents</b>
<b>a. Basic earnings per share</b>		
Profit from operations attributable to the ordinary equity holders of the Company	4.8	9.7
Profit attributable to the ordinary equity holders of the Company	4.8	9.7
<b>b. Diluted earnings per share</b>		
Profit from operations attributable to the ordinary equity holders of the Company	4.8	9.6
Profit attributable to the ordinary equity holders of the Company	4.8	9.6
	<b>\$'000</b>	<b>\$'000</b>
<b>c. Reconciliations of earnings used in calculating earnings per share</b>		
<i>Basic earnings per share</i>		
Profit from operations	8,165	15,340
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	8,165	15,340
	<b>Number</b>	<b>Number</b>
<b>d. Weighted average number of shares used as the denominator</b>		
<i>Basic earnings per share</i>		
Weighted average number of shares used as the denominator in calculating basic earnings per share	170,441,966	158,498,996
<i>Diluted earnings per share</i>		
Weighted average number of options outstanding	274,849	630,493
Weighted average number of shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	170,716,815	159,129,489

**NOTE 24. FAIR VALUE MEASUREMENT**

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

No other assets or liabilities have been required to be assessed for fair value adjustments as they are carried at amortised/depreciated cost.





## **NOTE 25. SHARE-BASED PAYMENTS**

### **a. Employee option plan**

Global Construction Services Limited established an Employee Option Plan on 2 May 2008.

The purpose of the Employee Option Plan is to:

- Recognise the ability and efforts of the employee's contribution to the success of the Group;
- Provide an incentive to employees to achieve the long term objectives of the Group;
- Attract and retain persons of experience and ability to the Group;
- Promote employee loyalty and improve performance of the Group; and
- Enable employees the opportunity to acquire shares in the Group.

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options are granted under the plan for no consideration and carry no dividend or voting rights.

When exercisable, each option will be converted into one ordinary share within twenty business days after the receipt of a properly executed Notice of Exercise and payment for the exercise price of each option being exercised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 25. SHARE-BASED PAYMENTS (continued)****a. Employee option plan (continued)**

Set out below are summaries of options granted.

Grant Date	Vesting Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>2014</b>									
12 May 2008	12 May 2011	9 May 2014	\$1.90	330,000	-	-	330,000	-	-
<b>Totals</b>				<b>330,000</b>	<b>-</b>	<b>-</b>	<b>330,000</b>	<b>-</b>	<b>-</b>
<b>Weighted Average Exercise price</b>				<b>\$1.90</b>	<b>-</b>	<b>-</b>	<b>\$1.90</b>	<b>-</b>	<b>-</b>
<b>2013</b>									
12 May 2008	12 May 2010	9 May 2013	\$1.60	345,000	-	-	(345,000)	-	-
12 May 2008	12 May 2011	9 May 2014	\$1.90	345,000	-	-	(15,000)	330,000	330,000
<b>Totals</b>				<b>690,000</b>	<b>-</b>	<b>-</b>	<b>(360,000)</b>	<b>330,000</b>	<b>330,000</b>
<b>Weighted Average Exercise price</b>				<b>\$1.45</b>	<b>-</b>	<b>-</b>	<b>\$1.61</b>	<b>\$1.90</b>	<b>\$1.90</b>

The weighted average remaining contractual life of share options outstanding at the end of the period was Nil (2013: 1 year).

There were no options granted during the year ended 30 June 2014 (2013: no options granted).

The fair value at grant date is determined using a Black-Scholes option pricing model taking into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free interest rate for the term of the option.

**NOTE 26. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Key management personnel compensation</b>		
Short term employee benefits	1,945	2,936
Post employment benefits	107	139
Termination benefits	-	-
	<b>2,052</b>	<b>3,075</b>
<b>Aggregate amounts of each type of transactions with key management personnel of the Group</b>		
Amounts recognised in expenses	2,869	3,339
Purchases and hire of equipment and services	867	6,306
Sales of Goods and Services	233	532
Outstanding balances arising from sales/purchases of goods and services. The following balances are outstanding at the reporting date in relation to transactions with related parties and Key Management Personnel:		
Current receivables (sales of goods and services) – Related parties	45	157
Current payables (purchases of goods and services) – Related parties	132	538

Additional detail is contained in the Remuneration Report contained within the Directors' Report.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 27. RELATED PARTY TRANSACTIONS

### i. Key management personnel

Disclosures relating to Key Management personnel are set out in Note 26 and the remuneration report.

### ii. Related parties

Other than those disclosed in Note 26, there are no further related party transactions. No provisions have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

### iii. Loans to/from related parties

#### Loans to related parties

	2014 \$'000	2013 \$'000
Beginning of the year	9,594	5,837
Loans advanced	182	3,757
Loan repayments	(40)	-
Interest charged	698	565
Interest paid	(698)	(565)
<b>End of the year</b>	<b>9,736</b>	<b>9,594</b>

A loan of \$736,119 is provided to GCS Concrete Pumping Pty Ltd, a Joint Venture, and is being utilised by the business as working capital. The loan is unsecured and accrues interest in accordance with the shareholders agreement. Global Construction Services Limited holds a 50% interest in GCS Concrete Pumping Pty Ltd as a joint venturer.

A loan of \$9,000,000 is provided to SmartScaff Pty Ltd and is being utilised by the business as working capital. The loan is secured and accrues interest at the rate of the Commercial Bill rate plus 2% margin per annum. Global Construction Services Limited holds a 50% interest in SmartScaff Pty Ltd.

There were no loans from related parties during the financial year ended 30 June 2014 (2013: Nil).

**NOTE 28. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Profit for the year</b>	<b>8,165</b>	<b>15,340</b>
<i>Adjusted for:</i>		
Depreciation and amortisation of non-current assets	12,005	17,323
Interest received	(933)	(785)
Interest paid	6,048	7,500
(Gain)/loss on disposal of property, plant and equipment	(5)	(272)
Impairment of debtors	(1,885)	(399)
Increase/(decrease) in capital raising costs tax effect	-	505
Effect of exchange rate changes on the balances	(1)	1
<b>Changes in assets</b>		
(Increase)/decrease in trade debtors	15,228	2,370
(Increase)/decrease in other debtors	(2,533)	(476)
(Increase)/decrease in prepayments	4,529	(131)
(Increase)/decrease in inventory	1,682	(2,287)
(Increase)/decrease in WIP	(3,375)	285
(Increase)/decrease deferred tax assets	(35)	(908)
<b>Changes in liabilities</b>		
Increase/(decrease) in trade payables	(5,040)	1,851
Increase/(decrease) in other creditors and accruals	1,466	(2,126)
Increase/(decrease) in other payables	(2,626)	1,645
Increase/(decrease) in employee provisions	95	(159)
Increase/(decrease) in deferred tax liability	228	2,158
Increase/(decrease) in income tax liability	(2,628)	(5,556)
<b>Net cash flow from operating activities</b>	<b>30,385</b>	<b>35,879</b>

**NOTE 29. NON CASH INVESTING AND FINANCING ACTIVITIES**

Acquisition of property plant and equipment by means of finance lease/hire purchase	290	26,923
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 30. COMMITMENTS

	2014 \$'000	2013 \$'000
<b>a. Capital commitments</b>		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment	135	1,360
<b>b. Lease commitments: Group as lessee</b>		
Operating lease commitments are payable:		
– Within one year	9,167	8,547
– One year but not later than five years	23,407	16,241
– Greater than five years	14,745	13,153
<b>Total lease liability</b>	<b>47,319</b>	<b>37,941</b>
Consists of:		
– Cancellable operating lease	5,249	9,160
– Non cancellable operating lease	42,070	28,781
<b>Total lease liability</b>	<b>47,319</b>	<b>37,941</b>
Finance lease commitments are payable:		
– Within one year	22,060	24,543
– One year but not later than five years	30,407	52,124
– Greater than five years	-	-
Minimum lease payment	52,467	76,667
Future finance charges	(5,094)	(9,583)
<b>Total lease liability</b>	<b>47,373</b>	<b>67,084</b>
Consists of:		
– Current	19,059	19,998
– Non-current	28,314	47,086
<b>Total lease liability</b>	<b>47,373</b>	<b>67,084</b>
<b>Operating leases</b>		
The Group leases various offices, warehouses and yards under non-cancellable operating leases expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.		
The Group also leases various plant and vehicles under cancellable operating leases. Varying periods of notice are required to terminate these leases.		



**NOTE 31. PARENT ENTITY DISCLOSURES**

As at and throughout the year ended 30 June 2014 Global Construction Services Limited ("The Company") was the parent entity of the consolidated entity.

The following information presented in respect of the Company is prepared using consistent accounting policies per Note 3.

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Interest of participant: Global Construction Services Limited</b>		
<b>Result of the parent entity</b>		
Profit/(loss) for the year	14,102	(7,149)
Other comprehensive income	-	-
<b>Total comprehensive profit/(loss) for the year</b>	<b>14,102</b>	<b>(7,149)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	43,515	33,622
Non-current assets	103,014	96,398
<b>Total assets</b>	<b>146,529</b>	<b>130,020</b>
Current liabilities	(5,864)	(30,044)
Non-current liabilities	(26,836)	(249)
<b>Total liabilities</b>	<b>(32,700)</b>	<b>(30,293)</b>
Contributed equity	128,600	128,600
Reserves	140	140
Accumulated losses	(14,911)	(29,013)
<b>Total equity</b>	<b>113,829</b>	<b>99,727</b>

The parent entity has provided financial guarantees in respect of the bank facility of SmartScaff Pty Ltd, the guarantee is limited to \$2.324m.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

As at 30 June 2014 the Company has no material contingent liabilities or contingent assets. The group's principal subsidiaries at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of Entity	Place of business	Ownership interest held by the group	
		2014	2013
BFA Investments Pty Ltd	Australia	100%	100%
CASC Constructions Pty Ltd	Australia	100%	100%
CASC Formwork Pty Ltd	Australia	100%	100%
Central Management Services (WA) Pty Ltd	Australia	100%	100%
Coastal Hire Pty Ltd	Australia	100%	100%
Dandl Bourne Pty Ltd	Australia	100%	100%
GCS Access Pty Ltd	Australia	100%	100%
GCS Budget Portables Pty Ltd	Australia	100%	100%
GCS Hire Pty Ltd	Australia	100%	100%
GCS Industrial Services Pty Ltd	Australia	100%	100%
GCS Rapid Access Pty Ltd	Australia	100%	100%
GCS Security Scaffolding Pty Ltd	Australia	100%	100%
Global Construction Services Ltd	Australia	100%	100%
Global Industrial Services (Aust) Pty Ltd	Australia	100%	100%
Global Integrated Resources Pty Ltd	Australia	100%	100%
Kosmic Facades Pty Ltd	Australia	100%	100%
Newave Contracting Pty Ltd	Australia	100%	100%
Rappel Pty Ltd	Australia	100%	100%
Safe and Sound Labour Hire Pty Ltd	Australia	100%	100%
Safe and Sound Scaffolding Pty Ltd	Australia	100%	100%
Safe Labour Hire Pty Ltd	Australia	100%	100%
SLH Stages Pty Ltd	Australia	100%	100%
Site Services Pty Ltd	Australia	100%	100%



### NOTE 32. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise bank loans and cash and short-term deposits. The main purpose of these financial instruments is to provide a component of funding of the Group's operations. The Group has various other financial asset and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group's activities expose it to a variety of financial risk, market risk (including interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis for credit risk. Risk management is carried out by the Board of Directors, who evaluate and agree upon risk management policies and objectives.

The Group holds the following financial instruments:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	13,808	15,317
Trade and other receivables	36,119	49,402
	<b>49,927</b>	<b>64,719</b>
<b>Financial liabilities</b>		
Trade and other payables	15,243	20,613
Borrowings	77,425	96,669
	<b>92,668</b>	<b>117,282</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

## NOTE 32. FINANCIAL RISK MANAGEMENT (continued)

The Board of Directors review the written principles for overall risk management, including the following specific areas:

### a. Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. There has been no material change to the Group's exposure to market risk and how it manages those risks from 2013.

#### i. Foreign exchange risk

The Group undertakes certain transactions denominated in foreign currencies and is exposed to foreign exchange risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial asset and financial liabilities denominated in a currency that is not the entity's functional currency. A formal risk management policy has been implemented in order to manage this risk.

The Group deems an individual foreign currency exposure greater than AUD \$250,000 of which the quantum and timing is known with certainty, to be a material exposure and required to be assessed for full or partial hedging. Individual transactions up to AUD \$500,000 can be authorised by the Chief Financial Officer, individual foreign currency exposures in the range of AUD \$500,000 and up to AUD \$1,000,000 and transactions which aggregate up to AUD \$5,000,000 are to be referred to the Executive members of the Audit and Risk Management Committee. Individual foreign currency exposures above AUD \$1,000,000 and in aggregate above AUD \$5,000,000 are to be referred to the full Board of Directors for assessment. No sensitivity analysis has been undertaken as exposure to foreign currency risk is immaterial to the statement of profit or loss and other comprehensive income.

#### ii. Cash flow and interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations that have floating interest rates. The Group's policy is to manage its interest cost using an appropriate mix between fixed and floating rate borrowings.

As at 30 June 2014, approximately 65% of the Group's total borrowings are at a fixed rate of interest (2013: 74%) and 100% of the bank bills are at a floating rate (2013: 100%). The Group monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at the reporting date, the financial instruments exposed to interest rate risk are as follows:

	2014		2013	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Financial assets</b>				
Cash and cash equivalents	2.40	13,808	3.17	15,317
<b>Financial liabilities</b>				
Borrowings	5.27	(27,340)	5.03	(24,840)
<b>Net exposure to cash flow interest rate risk</b>		<b>(13,532)</b>		<b>(9,523)</b>

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods.



	Weighted average interest rate %	1 year or less \$'000	2-5 years or less %	Total \$'000
<b>2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	2.40	13,808	-	13,808
<b>Financial liabilities</b>				
Borrowings	5.27	(2,000)	(25,340)	(27,340)
<b>Total</b>		<b>11,808</b>	<b>(25,340)</b>	<b>(13,532)</b>
<b>2013</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.17	15,317	-	15,317
<b>Financial liabilities</b>				
Borrowings	5.03	(1,000)	(23,840)	(24,840)
<b>Total</b>		<b>14,317</b>	<b>(23,840)</b>	<b>(9,523)</b>

### Group sensitivity

As at 30 June 2013 and 2014, a sensitivity analysis has not been disclosed in relation to the floating interest deposits for the Group, as the net results of a reasonable possible change in interest rates have been determined to be immaterial to the statement of profit or loss and other comprehensive income.

### b. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables. The Group has adopted the policy of only dealing with recognised creditworthy counterparties and obtaining sufficient collateral or guarantees where appropriate, as a means of mitigating the risk of financial loss from defaults. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by line management. The Group measures credit risk on a fair value basis.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Group has established an allowance for impairment that represents an estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures as at 30 June 2014.

The Group's range of customers are mainly exposed to the construction industry. The Group's risk is reduced by exposure to the Residential, Commercial, and Resource, Industrial, Oil & Gas sectors of the construction industry. The Group has a significant risk exposure to one customer. The maximum amount of exposure at 30 June 2014 to the one customer is \$3.68m (2013: \$3.7m).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

**NOTE 32. FINANCIAL RISK MANAGEMENT (continued)****The ageing of the Group's past due but non-impaired trade receivables at the reporting date was:**

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Past due 0-30 days	6,471	13,464
Past due 31-90 days	1,771	1,662
More than 90 days	3,252	2,238
	<b>11,494</b>	<b>17,364</b>

**The ageing of the Group's impaired trade receivables at the reporting date was:**

Past due 0-30 days	-	-
Past due 31-90 days	-	-
More than 90 days	666	740
	<b>666</b>	<b>740</b>

The credit quality of financial assets that are neither past due nor impaired has been assessed by reference to external credit ratings (if available) or to historical information about default rates.

*The counterparties with external credit rating were:*

Cash and cash equivalents – 'AA-' S&P Rating	13,808	15,317
Counterparties without external credit rating which are neither past due nor impaired	14,153	20,804

**c. Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has liquidity risk management policies, which assists it in monitoring cash flow requirements. Cash flow requirements for the Group are reviewed weekly.

The following are the contractual maturities of financial liabilities.

	<b>1 year or less \$'000</b>	<b>1-2 years \$'000</b>	<b>2-5 years \$'000</b>	<b>More than 5 years \$'000</b>	<b>Total Cashflow \$'000</b>	<b>Carrying amount \$'000</b>
<b>2014</b>						
Borrowings	6,128	25,787	-	-	31,915	30,053
Hire purchase liabilities	22,060	17,814	12,593	-	52,467	47,373
Trade and other payables	15,035	208	-	-	15,243	15,243
	<b>43,223</b>	<b>43,809</b>	<b>12,593</b>	<b>-</b>	<b>99,625</b>	<b>92,669</b>
<b>2013</b>						
Borrowings	6,894	25,658	-	-	32,552	29,585
Hire purchase liabilities	24,543	21,949	30,175	-	76,667	67,084
Trade and other payables	19,951	662	-	-	20,613	20,613
	<b>51,388</b>	<b>48,269</b>	<b>30,175</b>	<b>-</b>	<b>129,832</b>	<b>117,282</b>





#### d. Fair value

Due to the short term nature of current receivables and liabilities, the carrying amounts approximate to their fair value. The fair values of non-current borrowings are not considered to be materially different to their carrying values, refer to note 17(e).

#### NOTE 33. AUDITORS REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor, BDO Audit (WA) Pty Ltd and their related entities. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that Auditor independence was not compromised.

	2014 \$'000	2013 \$'000
Audit services and reviews of financial statement	185	213
Non audit, advisory, tax compliance and other services	149	238
	<b>334</b>	<b>451</b>

#### NOTE 34. CONTINGENCIES

As at 30 June 2014, the Group has no material contingent liabilities or contingent assets.

#### NOTE 35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.



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