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# Company Highlights

During 2015, GCS continued its commitment and focus on financial and operating discipline to deliver a solid financial performance in a tough market.

#### **FINANCIAL**

- Revenue \$150.5m, down 6.0%
- NPAT \$8.7m, up 7.1%
- Continued strong focus on Balance Sheet and further debt reduction
- Decreased net debt to \$30.9m, down \$32.7m (51%) on previous year
- Decreased net debt/equity to 14%, down 18 percentage points on previous year

#### **OPERATIONS**

- Successfully completed the formwork and concrete placement contract for Brookfield
   Place Tower 2 and May Holman Centre for Probuild
- Received a \$46.2m Letter of Intent for Tower 1 on the Capital Square project in the Perth CBD
- Awarded a \$30.0m formwork and concrete contract by Brookfield Multiplex for the new Perth Stadium
- Awarded an exclusive equipment and labour hire agreement by Brookfield Multiplex in WA
- Secured an extension to the contract for the principal management and supply of scaffolding for all Woodside's North West Shelf Projects to 31 December 2017 with renewal options
- Awarded the scaffolding services contract for the Sino Iron Project by CITIC Pacific Mining for an initial 2 year term with renewal options
- Commenced the supply of scaffold equipment for Kaefer's Ichthys project scaffolding services package
- Strong activity levels and improved margins achieved in Residential sector
- Significant rationalisation of operations to align resources to match activity levels, improve productivity and reduce costs
- SmartScaff JV exceeds expectations driven by strong East coast demand
- Exploring East coast expansion opportunities
- Diverse market sector presence and broad product offering underpinning the growth and ongoing development of the business despite the mining slowdown

#### **CAPITAL MANAGEMENT**

- Strategic placement to Brookfield Capital Partners III
- Refinanced debt facilities to enhance the Group's capital structure



EBIT (\$m)

FY14 \$160.1m

Down 6%

**FY15** 

\$16,2m

FY14 \$17.1m Down 5%

Net debt to equity

**FY15** 

14%

FY14 32% Down 18pp\*

\*Percentage points

\$27.9m

FY14 \$29.1m Down 4%

NPAT (\$m)

**FY15** 

\$8.7m

FY14 \$8.2m Up 7%

EPS (¢)

**FY15** 

4.7¢

FY14 4.8¢ Down 2%

Our national presence allows us to provide multi disciplined labour and high quality equipment anywhere across Australia.

# Letter from the Chairman & Group Managing Director

Dear Shareholders, on behalf of the Board, we are pleased to present the Global Construction Services Annual Report for the year ended 30 June 2015.

The GCS Group achieved a solid earnings result in 2015 despite another challenging year where the slowdown in economic activity within the construction, engineering, and resource sectors created an uncertain and cautious backdrop to the GCS Group's operations and performance. Delays in the letting of committed projects in the Perth CBD, a prudent investment outlook in the North-west, and a decline in general demand all framed the economic environment creating a level of restraint in GCS's operating markets. It was pleasing that, despite these challenging market conditions, the GCS Group continued to successfully monitor and responded to the changed external environment by adjusting its business strategies to deliver a solid financial and operational performance.

During the year we continued with our significant rationalisation of operations to align resources to match activity levels, improved our cost base, strengthened the balance sheet and managed our portfolio of businesses more efficiently to safely execute the available works. C.A.S.C. Constructions Pty Ltd (CASC) commenced the 2015 year confidently by successfully completing the formwork and concrete placement contracts for its key contracts on both the Brookfield Place Tower 2 project, and May Holman Centre for Probuild during the first half of the year. In the second half of the year CASC received a \$46.2m Letter of Intent for Tower 1 on the Capital Square project in the Perth CBD, and was awarded a \$30.0m formwork and concrete contract by Brookfield Multiplex for the new Perth Stadium. Work on both these projects has commenced and is progressing well. GCS was also awarded an exclusive equipment and labour hire agreement by Brookfield Multiplex in WA.

Even though the resources investment cycle continued to soften during the year on the back of the slowdown in mining activity and capital investment in this sector, GCS secured an extension to the contract for the principal management and supply of scaffolding for all Woodside's North West Shelf Projects to 31 December 2017 with renewal options. In May 2015 GCS was also awarded the scaffolding services contract for the Sino Iron Project by CITIC Pacific Mining for an initial 2 year term with renewal options. These contracts recognise GCS's successful delivery capabilities and safety performance with projects in the North West and are important steps in GCS building sustainable annuity revenue streams within its services business. Also, during this year GCS Industrial Services Pty Ltd, as Kaefer's exclusive supply chain partner, commenced the supply of scaffold equipment for their Ichthys project scaffolding services package.





#### **FINANCIAL RESULTS**

In the context of the challenging market conditions in FY15, the financial performance of the Group was a solid result and in accordance with Board expectations and showed a level of resilience that augurs well for the anticipated increase in work opportunities in FY16 and beyond. The underlying fundamentals of the Company remain strong and provide a solid foundation for the Group to build on as confidence and economic activity undergoes improvements in the coming periods.

The Group reported a Net Profit after tax of \$8.7m (FY14: \$8.2m), 7.1% higher than the prior corresponding year, on operating revenue of \$150.5m (FY14: \$160.1m). EBITDA in FY15 was \$27.9m (FY14: \$29.1m) with Group EBITDA margin slightly higher at 18.5% (FY14: 18.2%) due to reducing costs through operating efficiencies and productivity improvements, partially offset by lower utilisation levels and the highly competitive pricing environment. Earnings per share was 4.7 cents (FY14: 4.8 cents).

With the continued focus on debt reduction and the levels of uncertainty prevalent in the wider economy, the Board of Directors determined in the best interests of the Company to not declare a final dividend for FY15. The Board will continue to monitor business and market strength and is targeting the reinstatement of dividends in FY16.

#### **BOARD AND EXECUTIVE RENEWAL**

The GCS Board continues to undertake 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.

We are pleased that Enzo Gullotti (Group Managing Director) and George Chiari (Executive Director) have agreed to extend their employment agreements with the Company for an additional term of two years, commencing 1 July 2015.

We are committed to safety

— it's our primary focus and
a part of our culture.

#### **OUTLOOK**

The GCS Group enters the new financial year in excellent shape with new major contracts and contract extension secured, an expanded presence, a platform to extract value from its operations, and agility to take advantage of the anticipated improvement in sentiment and market conditions. Whilst the Group remains cognisant of delays in the letting of major projects in the construction market, the pipeline of opportunities remains strong and the Board remains optimistic on this investment pipeline activity increasing in FY16 with recent major commercial contracts awarded to main contractors and GCS. Although challenging conditions in certain segments of the Resources sector will continue, the Group continues to actively pursue new annuity and maintenance opportunities in this sector. The outlook for the Residential sector is cautiously positive with the increased activity experienced in FY15 expected to be maintained in FY16 on the back of a continuing low interest rate environment leading to continued confidence and investment in housing.

The GCS Group remains committed to executing its strategy of diversification across contracting and service supply scopes of work with an integrated suite of on-site solutions. The diverse market sector presence and broad product offering underpins the growth and ongoing development of the business despite the mining slowdown. This will enable it to take advantage of the significant opportunities which are earmarked for FY16 and beyond, and to realise the strong improvement in the Group's performance. The Company remains committed to 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 our culture of safety, and a solid and well established integrated product and services platform.

On behalf of the Board, we wish to thank all of our employees for their commitment, dedicated efforts, and valued contribution over the past year. We also want to express our thanks for the support of our valued customers and suppliers and welcome the support of shareholders as we look forward to a more successful year.

Peter Wade Non-Executive Chairman **Enzo Gullotti** Group Managing Director

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# Board of Directors

The GCS Board has extensive experience in the construction and maintenance industries and is supported by a professional management team and highly motivated employees.







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. His early career involved the NSW Public Service and the Transfield Group, managing the construction, building, and operation of significant infrastructure projects in Melbourne, Newcastle, and Wollongong.

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. In 2006 Mr Wade was appointed as Managing Director of Mineral Resources Limited and later as Executive Chairman in 2008. In November 2012, Mr Wade was appointed as Non-Executive Chairman of Mineral Resources Limited.



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.



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.



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-five 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.

# About GCS





GCS is a diverse Australian company operating under the strict corporate governance requirements of the ASX, ISO 9001:2008 Quality Management System, ISO/TS 29001:2010 0il & Gas Quality Management System, and AS/NZS 4801:2001 0H&S Management System.

The GCS Group provides high quality products and services including; On-Site Workforce; Scaffold and Access Solutions; Plant and Equipment; Formwork and Concreting; Site Accommodation; and Specialised Site Services.

Our business is underpinned by operations at strategic metropolitan and regional bases whilst utilising the financial, operational, and logistical infrastructure of a national group. This unique structure promotes unparalleled economies of scale, and ensures that we operate nationally but supply locally.

With a number of key divisions throughout Australia, GCS is committed to helping our clients complete both large and small scale projects by delivering practical, economical, and result-driven solutions.

Clients choose us for our proven reliability, combined with our multi-disciplined service capabilities. Our dedicated team can provide project management, estimating, design, engineering, maintenance, servicing and transport, to all of our industry sectors – and all as part of our integrated service package.

We offer local and regional expertise backed by national capabilities to deliver the best project outcomes.

#### **STRENGTHS & CAPABILITIES**

- Locally run with operations across Australia.
- Dedicated, energetic and highly experienced team.
- Personalised service, exceeding customer expectations.
- Cultivation of strong relationships with our clients and suppliers.
- Innovative processes and systems with continual evaluation and updates.
- Synergies in the products and services we offer.

#### **GOALS & VALUES**

- Excel in our field of expertise.
- Be a leader in terms of our people, products, and reputation.
- Support the region in which we operate today, tomorrow, and in the future.
- Share our success within our communities.
- Be a responsible corporate entity and make direct contributions to the community.
- Provide value to both shareholders and customers.

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# Products & Services

GCS is uniquely positioned in the Australian market place to provide a comprehensive range of products and services throughout the lifecycle of a project.

Our multi-disciplinary capabilities allow us to complete large-scale projects, whilst working within internationally recognised safety standards. Combined with an understanding of our clients' wider businesses, we are able to continually identify and implement improved working strategies and new solutions.

This means our clients can reduce contractor numbers and we can provide safer and more efficient operations.

We offer a complete range of equipment and a specialised workforce to customers in all market sectors.



#### **ON-SITE WORKFORCE**

We supply and manage a national workforce for projects across Australia, giving our clients the capability and flexibility for rapid expansion when required. Above all, we assist in increasing the productivity and business performance of the companies we work with.

GCS is actively involved in the industry and we understand our clients requirements for a wide range of projects from the ground up. Our workforce is assessed on their competency, experience, and capability to supply services, ensuring our people are not just qualified, but excel in the roles required.

Our staffing solutions include; Tradesmen (such as carpenters, electricians, welders); Labour (such as scaffolders, riggers, dogmen, crane drivers); and Professionals (such as HSE staff, nurses, project managers).



#### **PLANT & EQUIPMENT**

Our ever-expanding fleet features well-known brands that offer the latest in safety and technological innovation. We offer a comprehensive range of the latest plant and equipment to customers in all market sectors and our equipment is maintained to the highest standard.

Our sales and service professionals can offer you knowledgeable advice about the equipment you need and our service centre can provide on-site mechanical maintenance.

Our plant and equipment solutions include; Access Equipment; Vehicle Fleet Rentals; Compressors and Air Power Tools; Compaction Equipment; Generators, Power and Lighting; Skid Steers and Excavators; Materials Handling; and Hydraulic Power Tools.





#### **FORMWORK & CONCRETING**

By offering hire, sale, and contracting services, GCS can supply a flexible, all-inclusive Formwork and Concreting package. Our mix of Australian and International equipment coupled with both our experienced on-site workforce and innovative work practices enable us to complete structures faster, safer, and more cost effectively.

GCS can provide hire or sale on all its equipment as well as packaged concrete contracting solutions for formwork, concrete pumping, and concrete placement. Above all, we offer our clients reliability, flexibility, and experience in formwork and concrete construction.

Our integrated solutions include; Formwork Contracting; Concrete Pumping; Concrete Placement; Wall Formwork; Falsework and Propping; Timber and Plywood; and Column Formwork.



#### SITE ACCOMMODATION

Our temporary site units provide the flexibility, comfort and security to meet all our customers' needs. We supply high quality, durable, site accommodation units across Australia including cyclonic regions. These robust, multi-purpose units can satisfy every application.

Our site accommodation solutions include; Lunch Rooms; Site Offices; First Aid Huts; Ablution Blocks; Shower Blocks; Accommodation Quarters; Chemical and Sewer Toilets; Storage Containers; and Temporary Fencing.



#### **SCAFFOLD & ACCESS SOLUTIONS**

With unparalleled management experience and superior quality equipment, GCS is a leading supplier and contractor of Scaffolding and Access Solutions. We offer a complete range of scaffold equipment and a specialised workforce to customers in all market sectors.

Our experienced industry professionals utilise customised management packages to deliver projects on time and on budget. GCS's innovative operational systems can facilitate any obstacle, including off-shore requirements and satellite yards to the most remote parts of Australia.

Our scaffold and access solutions include; Scaffolders; Modular Scaffold; Tube and Fitting Scaffold; Scaffold Accessories; Aluminium Mobile Scaffold; A-Frame Scaffold; Swing Stages; Material Hoists; and Rope Access.



#### **SPECIALISED SITE SERVICES**

We provide a range of specialised site services under the strict governance of a quality accredited company. Together with our other integrated solutions, we offer a multi-disciplinary approach that enables our clients to lower operational costs while enhancing output and safety. GCS can apply our vast capabilities and proven experience to add value, streamline on-site operations and maximise the performance of every project.

Our specialised site services include; Façade and Window Installation; Rope Access; HSE Management and Personnel; Traffic Management; Security Services; and Painting Services.

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# Commercial Market

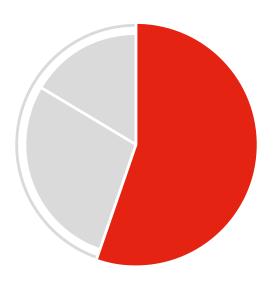
Our operations in the Commercial market consist of supplying a range of products and services to customers involved in the construction or maintenance of commercial and mixed-use developments. These typically include office towers, high rise apartments, shopping centres, hotels, car parks, recreational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

Segment Size (by Revenue Share)

FY15

55.4%

FY14 52.6%



Revenue

FY15

\$83.5m

FY14 \$84.2m Down 0.8% Adjusted EBITDA(1)

FY15

\$12.8m

FY14 \$12.8m Unchanged **Net Assets** 

**FY15** 

\$72.4m

FY14 \$85.1m Down 14.9%

(1) Adjusted EBITDA is EBITDA derived from the operating segments and excludes investments, other income, and GCS support functions including corporate office and treasury which are included in corporate/other.



# Resource, Industrial, Oil & Gas Market

Our operations in the Resource, Industrial, Oil & Gas market 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.

Segment Size (by Revenue Share)

FY15

28.3%

FY14 31.7%



Revenue

FY15

\$42.5m

FY14 \$50.8m Down 16.3% Adjusted EBITDA(1)

**FY15** 

\$10.6m

FY14 \$13.3m Down 20.3% **Net Assets** 

FY15

\$47.9m

FY14 \$41.2m Up 16.2%

(1) Adjusted EBITDA is EBITDA derived from the operating segments and excludes investments, other income, and GCS support functions including corporate office and treasury which are included in corporate/other.



# Residential Market

Our operations in the Residential market 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.



FY15

16.3%

FY14 15.7%



#### Revenue

FY15

\$24.5m

FY14 \$25.1m Down 2.4%

#### Adjusted EBITDA(1)

FY15

\$7.0m

FY14 \$5.8m Up 20.7%

#### **Net Assets**

**FY15** 

\$20.8m

FY14 \$22.9m Down 9.2%

(1) Adjusted EBITDA is EBITDA derived from the operating segments and excludes investments, other income, and GCS support functions including corporate office and treasury which are included in corporate/other.



# Division Locations

With strategic bases across Australia, GCS is uniquely positioned to service a wide range of industry sectors through its local branch network.

Our national presence allows us to provide multi-disciplined labour and high quality equipment to all industries anywhere across Australia. GCS's success lies in its ability to react quickly and mobilise wherever the demand may rise. Having established metropolitan and regional bases in key locations across Australia, GCS is able to fully service its clientele both onshore and offshore. We are committed to helping our clients complete large and small scale projects by delivering practical and result-driven products and services.

#### **ALL ENQUIRIES:**

139 GCS (139 427) or enquiry@gcs-group.com.au





#### **DIVISIONS**

#### **GCS HIRE PTY LTD**

Perth

Ph: +61 8 9279 8943 Fx: +61 8 9279 9582

Bunbury

Ph: +61 8 9725 4432 Fx: +61 8 9725 4620

Geraldton

Ph: +61 8 9960 6500 Fx: +61 8 9964 5090

Karratha

Ph: +61 8 9143 7500 Fx: +61 8 9185 4290

Kwinana

Ph: +61 8 9410 1411 Fx: +61 8 9410 1422

Newman

Ph: +61 8 9175 0888 Fx: +61 8 9175 2195

Port Hedland

Ph: +61 8 9172 9800 Fx: +61 8 9140 1208

#### **GCS PERSONNEL SERVICES PTY LTD**

Perth

Ph: +61 8 9240 7646 Fx: +61 8 9240 7647

#### **GCS FACADES PTY LTD**

Perth

Ph: +61 8 9240 7646 Fx: +61 8 9240 7647

#### **GCS INTEGRATED SERVICES PTY LTD**

Perth

Ph: +61 8 9309 4666 Fx: +61 8 9309 4777

Bunbury

Ph: +61 8 9725 6223 Fx: +61 8 9725 6668

Karratha

Ph: +61 8 9143 7500 Fx: +61 8 9185 4290

#### **CASC CONSTRUCTIONS PTY LTD**

Perth

Ph: +61 8 9478 2922

#### **SMARTSCAFF PTY LTD**

Melbourne

Ph: 1300 77 22 33 Fx: 1300 37 22 33

Sydney

Ph: 1300 77 22 33 Fx: 1300 37 22 33

Brisbane

Ph: 1300 77 22 33 Fx: 1300 37 22 33

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# Health, Safety, Environment & Quality

.gcs-group.com.ae

Our professional reputation is built on delivering integrated products and services across multiple markets and sectors at industry-leading standards. Central to growing and exceeding this ethic, is our Integrated Management System. Developed to communicate our Health; Safety; Environment; and Quality objectives, and apply consistent standards across our Australian network.





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#### **QUALITY ASSURANCE**

The ISO 9001:2008 Quality Management System Standard has received widespread international acclaim and is the world's most recognised business management standard. It offers a comprehensive business framework and ensures key management objectives are achieved.

At GCS, Quality forms part of our Integrated Management System which provides a stable platform across all business operations. This system incorporates Health; Safety; Environment; and Quality, driving measurable, cost-saving performance initiatives whilst providing a mechanism from which improvement actions are launched.

GCS businesses that have been certified thus far to ISO 9001:2008 Quality Management System Standard are, Global Construction Services Limited, GCS Integrated Services Pty Ltd, and GCS Hire Pty Ltd.

#### **ENVIRONMENT**

GCS has developed its environmental policy to ensure environmental issues and risks are central to our strategic planning process. GCS fosters a strong environmental ethic amongst its workforce and looks to highlight valuable, sustainable initiatives within the industry.

As a company, we strive to minimise any harmful effects on the environment, meet legal environmental requirements, and achieve continual improvement of our environmental performance. We believe it is everybody's responsibility to look after the environment in which we work and to continually improve on procedures to ensure minimal environmental impact.

#### **HEALTH & SAFETY**

At GCS, Health & Safety is the number one priority in conducting our business. The well-being of our employees is of the utmost importance and we continually work to ensure all staff follow this edict. GCS has a practical and effective safety management system which is used to direct and assist staff in working safely in accordance with our high standards.

The co-operation of all employees is essential in achieving a high level of accident prevention and, by engaging input from staff at all levels, we continually improve our processes. We empower our staff to continually spread the safety message by ensuring they themselves work safely in accordance with the Group's safety procedures and all legislative requirements.

GCS businesses that have been certified thus far to AS/NZS 4801:2001 Occupational Health & Safety Management System Standard are, Global Construction Services Limited, GCS Integrated Services Pty Ltd. and GCS Hire Pty Ltd.

#### OIL & GAS

The ISO/TS 29001:2010 0il & Gas Quality Management System Standard is industry specific, and used for the petroleum, petrochemical, and natural gas industries. It offers a comprehensive business framework for the Oil & Gas industry and ensures key management objectives are achieved. The system was developed by a partnership between ISO and the international Oil & Gas industry to provide global consistency and quality assurance in product and service supplies. ISO/TS 29001 is based on the ISO 9001 Quality Management System Standard which has received widespread international acclaim and is the world's most recognised business management standard.

GCS businesses that have been certified thus far to ISO/TS 29001:2010 Oil & Gas Quality Management System Standard are, Global Construction Services Limited, GCS Integrated Services Pty Ltd, and GCS Hire Pty Ltd.







Our people are the key to our success — experienced, diverse and multi-skilled.

# Community

GCS is committed to supporting the regions in which it operates today, tomorrow, and in the future. The Group is dedicated to working honourably, consistently, and responsibly within our community's social framework and we endeavour to share our success.

GCS is a major contributor to community-benefiting activities through direct contributions and in addition to the general social and economic benefits flowing from our activities. The Company provides support by the way of donations and sponsorships through both the corporate office and the businesses we own.

Our goal is to be a responsible corporate entity with a true social conscience and cultivate strong relationships with our employees, our clients, and the community at large. Our approach is based on a premise that individual development enhances community capacity. In short, empowering people to achieve what they believe they cannot.

In addition to the major events highlighted, GCS provided sponsorship and support to many other Australian community organisations and sporting clubs in 2014/15. GCS is proud to have provided support for; Telethon, Avon Descent; Gibb Challenge, Dreamfit Foundation, Literacy For Life Foundation, Meadow Springs Open Air Cinema, Dampier Classic, Veterans Retreat of WA Inc, Port Hedland Golf Classic, Perth Disc Golf, WA ex-State and International Soccer Team, Perth Horse Trials, Karratha Motocross Club, Rose Hill Golf Club, and WA Charity Direct.















#### **RONALD MCDONALD HOUSE CHARITIES**

Ronald McDonald House Charities (RMHC) is an independent, non-profit organisation that helps seriously ill children and their families when they need it most. McDonald's is the charity's largest corporate donor and continue to be very generous supporters of the charity, a relationship spanning over 40 years. Since opening the first Ronald McDonald House in 1981, RMHC have helped over 100,000 families and 1 in 8 Australian's have been helped or know someone who has used one of their programs. GCS is proud to support the construction of the new Ronald McDonald House in Perth and is committed to donating a range of products and services to the value of \$550,000.



#### THE STARLIGHT CHILDREN'S FOUNDATION

Since being formed as an Australian children's charity in 1988, the Starlight Children's Foundation has brightened the lives of seriously ill and hospitalised children, and their families, throughout Australia. Starlight provides programs integral to the total care of seriously ill children. While health professionals focus on treating the illness, Starlight is there to lift the spirits of the child, giving them the opportunity to laugh, play, and be a child again. GCS is proud to support The Starlight Children's Foundation and their partners through various event and in-kind donations.





#### **MCDONALD'S COMMUNITY CINEMA**

McDonald's Community Cinemas (formerly McDonald's Movies by Burswood) is Perth's family-friendly outdoor cinema raising funds for childrens' charities in WA. Their goal is simple; assist charities that seek to improve the quality of life of children in a health or physical ability crisis. Through 14 seasons, Community Cinemas has raised over \$5,250,000 for its Charity Partners and has assisted many other charities in their fund raising activities. Over 700 volunteers annually contribute their time and energy to make McDonald's Community Cinemas Perth's most affordable. enjoyable, and family-friendly outdoor cinema. Over the years Community Cinemas have assisted; Ronald McDonald House Charities; Starlight Children's Foundation; Camp Quality; Noah's Ark; Youth Focus WA; Speakeasy WA; St George Foundation; Youthcare; and Princess Margaret Hospital amongst others. For the fifth year running, GCS is proud to support this event as a Principle Partner.



#### **WARREN JONES INTERNATIONAL YOUTH REGATTA**

'The Warren Jones' is an official World Tour Qualifier event from which many young competitors have launched their match racing careers. Held in WA since 2003, the event provides a challenging platform for young sailors to develop and showcase their skills. The regatta was established in memory of yachting legend, Warren Jones through the Western Australian Yachting Foundation (Inc.) and the Warren Jones Foundation (Inc.). The timing and format of the annual event makes it appealing for both competitors and spectators, drawing the best of the world's youth match racing competitors. GCS has signed on to a long-term sponsorship arrangement and is proud to support this event in conjunction with Swan River Sailing.



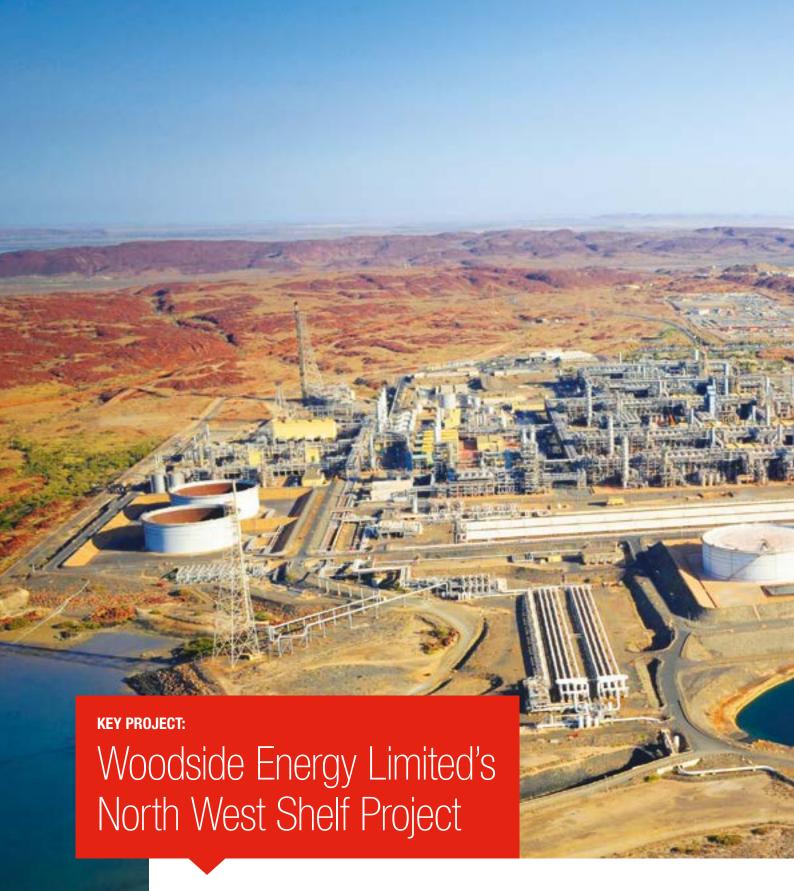
#### **SPECIAL AIR SERVICE RESOURCES TRUST**

Australia's Special Air Service Regiment has a unique and hazardous role within the Australian Defence Force. Tasks undertaken are frequently beyond the range and capability of conventional forces and usually have strategic consequences at the national level. They demonstrate unbounded levels of boldness in the execution of their missions, a relentless pursuit of excellence, and unyielding levels of perseverance. The Special Air Service Resources Trust is a perpetual trust fund which provides relief to current and former members of the Special Air Service Regiment (and their dependants) who become deceased or permanently disabled in, or as a result of, active service or operational training. GCS has committed to a 5 year sponsorship of the Special Air Service Resources Trust.



#### **MURLPIRRMARRA CONNECTION**

The Murlpirrmarra Connection supports indigenous youth in the areas of education, sporting development, health, rehabilitation, discipline, self-confidence, and employment opportunities. By building strong relationships with families, the Murlpirrmarra Connection seeks to create community and educational activities to increase the health and wellbeing of the Indigenous population. Its indigenous engagement program supports the region by assisting the Wiluna and Murchison youth to contribute constructively to the community and the wider society. GCS is proud to be a supporter of the Murlpirrmarra Connection once again in 2014/15.



The Woodside-operated North West Shelf Project facilities constitute Australia's largest oil and gas resource development. It is one of the world's largest liquefied natural gas (LNG) producers, supplying oil and gas to Australian and international markets from huge offshore gas, oil, and condensate fields in the Carnarvon Basin off the north-west coast of Australia. For over 30 years, the North West Shelf Project has been Western Australia's largest producer of domestic gas and currently accounts for more than one third of Australia's oil and gas production.



In 2013, GCS was awarded the principal scaffolding contract for all Woodside's North West Shelf Projects. The services comprise of the storage, transport, supply and maintenance of scaffold material at Woodside's various onshore and offshore locations. As a testament to the work provided thus far, GCS was recently awarded a contract extension to December 2017 with two additional 12 month extension options.

#### Locations include, but are not limited to:

- Karratha Gas Plant (KGP) & Associated Offshore Facilities;
- Pluto LNG Park & Offshore Platform;
- King Bay Supply Base;
- Nganhurra FPS0;
- Ngujima-Yin FPS0;
- Okha FPS0; and
- Northern Endeavour.

## CORPORATE GOVERNANCE

Global Construction Services Limited (GCS) is committed to continuously improving and achieving high standards of corporate governance. The Board regularly assesses its governance framework and practice believing good corporate governance is strongly correlated to performance and serves in the best interests of shareholders and stakeholders.

GCS's corporate governance statement has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the Company's Annual Report pursuant to ASX Listing Rule 4.10.3. The Corporate Governance Report is available at www.gcs-group.com.au/investors/corporate-governance. The ASX Principles and Recommendations and the Company's response as to how and whether it follows those recommendations are set out below.

A description of the Group's main corporate governance practices and its 'if not, why not' report on compliance with the guidelines is set out below. Where the Company's practices depart from a recommendation, the Board has disclosed the departure along with reasons for adoption of its own practices.

If not why not (2)

<ul> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> <li>✓</li> </ul>	<b>~</b>
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ACY Principles and Recommendations (1)

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<sup>(1)</sup> Indicates where the Company has followed the Principles and Recommendations.

<sup>(2)</sup> Indicates where the Company has provided an "if not, why not" disclosure.



#### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

GCS has a Corporate Governance Statement on its website (www.gcs-group.com.au) containing the key GCS corporate governance documents which establish the roles and functions reserved for the Board, the roles and functions delegated to the Group Managing Director and/or Executives, and the relationship between the Board and the Group Managing Director and/or Executives.

The Board's primary responsibility is to safeguard and enhance the interests of shareholders and stakeholders by overseeing the Company's business activities and undertaking the effective functions of strategy formulation, policy design, and supervision.

The Group Managing Director is responsible and charged with running the affairs of the Company and executing the strategy set by the Board.

The Remuneration Committee annually assesses and evaluates the performance of the Board and the Group Managing Director as well as any other Director and/or Executive. Performance measures are established by the Board and outcomes of the review are reported to the Board. All Executives are subject to an annual performance evaluation, which is undertaken by their direct relevant manager.

Each Director has access to the Company Secretary for advice and support in effectively discharging their roles. Additionally, each Board member may seek external professional advice at the expense of the Company in respect of their roles with the approval of the Chairman. An evaluation of the Group Managing Director performance was conducted during the reporting period with the contract of the Group Managing Director being rolled over for a term of 2 years commencing 1 July 2015.

An evaluation of the performance of the Board and its Directors is undertaken each year. The Chairman of the Board is the leader and driver of this process. The evaluation of the performance of the Board's various committees is undertaken on an 'exception' basis. The Chair of the Board is also the leader of the evaluation. The process for evaluating the performance of the Board, its committees and directors, has yet not been documented.

GCS is committed to creating a diverse workplace, which reflects the breadth of talent available in the communities it operates in. The Group believes a range of employees encompassing diversity of gender, age, ethnicity, and cultural background enables greater innovation by drawing on diverse backgrounds, experience, and skills. Improving the level of diversity, female participation, and female promotion in GCS remains an objective of the Board.

The GCS Group operates in the traditionally male dominated industry of construction and related services and is therefore predictably under represented by women in its workforce. Enhancing the participation of women in the workplace continues to be a focus of the GCS Board. Whilst no formal policy has been adopted, the Company does adhere to the gender reporting requirements and diversity principles outlined in the recommendations. It is pleasing to note that we have increased our female participation both in the ranks of management and total staff.

The 30 June 2015 GCS workforce composition is shown in the following table.

				% of female	Participation Rate
Management	Male	Female	Total	employees	Change from FY14
Chief Executive Officer	1	0	1	0.00%	0.00%
KMP	5	0	5	0.00%	0.00%
Executive General Manager	6	1	7	14.29%	14.29%
Senior Manager	8	2	10	20.00%	9.47%
Other Manager	16	2	18	11.11%	Steady
Total	36	5	41	12.20%	5.38%
				% of female	Participation Rate
Workforce Participation	Male	Female	Total	employees	Change from FY14
Total participation	399	54	453	11.92%	2.59%

## CORPORATE GOVERNANCE

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The GCS Board comprises four Directors:

Peter Wade	Non-Executive Chairman	Independent
Enzo Gullotti	Group Managing Director	Non-Independent
Sam Mangione	Non-Executive Director	Non-Independent
George Chiari	Executive Director	Non-Independent

The Company is not in compliance with Recommendation 2.4, the Board does not consist of a majority of independent Directors where an independent Director is a Non-Executive Director who meets the criteria for independence included in the ASX Best Practice Recommendations.

The composition of the Board reflects the size of the Company and the unique and significant industry experience the Directors bring to the Board. These factors currently constrain the practicality in GCS having a majority of independent Directors on its Board.

Mr Peter Wade was appointed a Non-Executive Director and elected Chair of GCS on 17 November, 2011. Mr Wade fulfils the Governance Council's independence criteria (Recommendation 2.5) and the addition of Mr Wade as an independent Chair has enhanced the GCS Board structure and benefits all shareholders and stakeholders.

The GCS Group Board has established a Nomination Committee to consider, assess, and establish guidelines on items including but not limited to: Director nomination and election; Director succession; Board composition; Board renewal; and Board competencies. The Committee meets on an 'as required' basis. As a consequence of the size of the Company, all Directors are members of the Nomination Committee which is chaired by an independent Non-Executive Chair. The Committee does not comply with Recommendation 2.1 with the majority of committee members not being independent.

The Board believes that given the size of the Company and its Board, it is not practical to have a majority of independent Directors managing the Nomination Committee. All Directors therefore have an active role in the Nomination Committee. The Nomination Committee Charter is available on the Company's website in the 'Investors' section.

Each new member of the Board participates in an induction program which encompasses: the duties, roles, and responsibilities of each Director; the operations of the Board and its Committees; and outlines the Group's culture and values as well as the strategic, financial, operational, and risk issues within the Company.

A biography profiling each Directors' skill, experience, and expertise is set out in the Directors' Report along with their respective term of office.

## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

The GCS Group has adopted a Code of Conduct, which prescribes guidelines and policies aimed at maintaining high ethical standards and good corporate behaviour in the workplace. The Code of Conduct may be found in the Corporate Governance section of the Company's website.

GCS encourages the reporting of instances which may involve a breach (or suspected breach) of the Code of Conduct.

#### PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit and Risk Management Committee to facilitate the verification and the safeguarding of the integrity of the Company's financial reporting, internal control structure, risk management procedures, and the internal and external audit function.

The Company does not comply with Recommendation 4.1, as the composition of the Board does not lend to the practicality of a majority of independent Directors managing the Audit and Risk Management Committee. The Non-Executive Directors, CFO, and Company Secretary are members of the Audit and Risk Management Committee. The Committee is chaired by Mr Peter Wade who is also chair of the Board. The Committee's charter is published on the Company's website.

The committee meets at least twice per annum and meetings are co-ordinated to coincide with the release of the Company's interim and full year financial reports and audits. The Committee has access to external auditors and a high degree of financial literacy is prevalent amongst the committee members. The details, qualifications, and experience of each committee member and the attendance of committee members at Audit and Risk Management Committee meetings are contained in the Directors' Report.

The Group Managing Director and the Chief Financial Officer have provided the Board with a declaration in accordance with Section 295A of the *Corporations Act 2001*, assuring the Board that a sound system of risk management and internal control is operating effectively in aspects related to financial reporting risks.

The Audit and Risk Management Committee Charter is available on the Company's website in the 'Investors' section.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

The Company has established written policies to ensure compliance with the continuous disclosure regime of the Corporations Law and the Listing Rules of the Australian Securities Exchange Limited.

The Board has ultimate authority and responsibility for disclosures made to the market. This responsibility is delegated to the Group Managing Director and Company Secretary. Board approval is a prerequisite of significant matters requiring disclosure. The Company Secretary is charged with the establishment, communication, and maintenance of this policy as well as ensuring that material information is disclosed to the ASX.

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## PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

GCS's Shareholder Communication's Policy has been designed to facilitate the means of effective communications with shareholders. The policy is available in the 'Investors' section of the Company's website.

GCS's overarching communication strategy promotes effective communication with shareholders and other stakeholders in an open, regular, and timely manner. The policy encourages shareholder attendance and participation at member meetings as it represents an opportunity to meet, question, and discuss issues with the Board and Executives. The Board and external auditors all attend the Company's Annual General Meeting and are available for shareholders queries.

The GCS Group website is a central source of information for shareholders. The Company's Shareholder Communications Policy is available on the Company's website in the 'Investors' section and the Company encourages security holders to contact and communicate with the Company and Security Register electronically.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

GCS is committed to the identification, monitoring, and management of risks associated with its business activities as a key part of its good business practices and governance activities.

The Group has implemented a number of controls in its risk management and reporting systems and regularly assesses and improves its risk management systems to best practice bench marks.

The Board is responsible for approving the Company's policies and risk oversight as well as satisfying itself that management continues to implement, develop, and improve its risk regime in accordance with the strategic risk policies. The daily operational management of risk is delegated to management throughout all levels of the organisation under the direction of the Group Managing Director. The Board monitors and receives reports on areas of operational and financial risk, and thereafter considers strategies for appropriate risk management arrangements.

The Audit and Risk Management committee monitors the integrity of financial reporting and the internal risk control regime. The Committee meets at least twice per year. The categories of risks identified and reported include: operational; health and safety; contracting; environmental; statutory and compliance; product; reputation; credit and financial; business security; and interruption.

The Board has established an Audit and Risk Management Committee to facilitate the verification and the safeguarding of the integrity of the Company's financial reporting, internal control structure, risk management procedures, and the internal and external audit function.

The Company does not comply with Recommendation 7.1, as the composition of the Board does not lend to the practicality of a majority of independent Directors managing the Audit and Risk Management Committee. The Non-Executive Directors, CFO, and Company Secretary are members of the Audit and Risk Management Committee. The Committee is chaired by Mr Peter Wade who is also chair of the Board. The Committee's charter is published on the Company's website.

The Board and committee have met during the year to review the entity's risk management framework and associated risks. The Board and committee do not consider that the Company currently has any material exposure to economic, environmental or social sustainability risk. The Company faces risks inherent to its business, including economic environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has policies and procedures in place to help mitigate and manage these risks.

The Group Managing Director and the Chief Financial Officer have provided the Board with a declaration in accordance with Section 295A of the *Corporations Act 2001*, assuring the Board that a sound system of risk management and internal control is operating effectively in aspects related to financial reporting risks.

The Company does not have an internal audit function, however manages part of this process via, internal controls and risk management overseen by the Group Managing Director and the Chief Financial Officer. Information on the Company's charter of the Audit and Risk Committee is available on the Company's website in the 'Investors' section.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

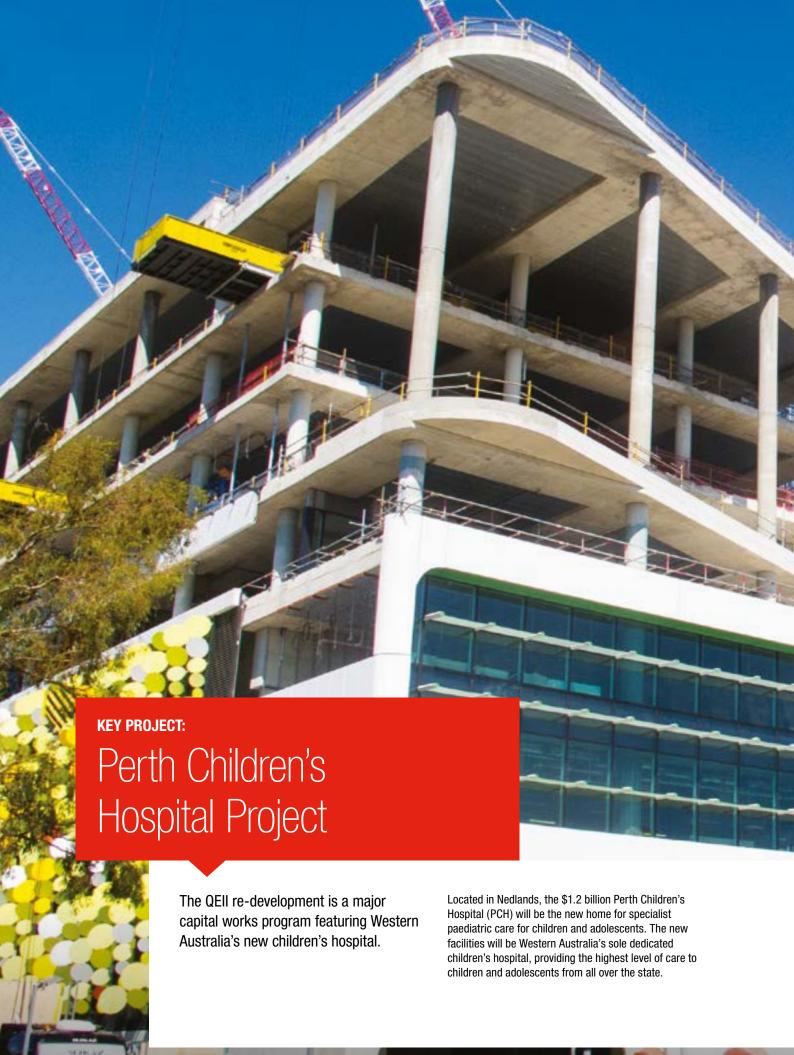
The GCS Group Board has established a Remuneration Committee to manage remuneration related issues including: Remuneration policy; Director and Executive engagement; Non-Executive Director fees; and the development of short and long term incentives.

The Non-Executive Directors of the Board currently carries out the function of the Remuneration Committee and it deals with remuneration related issues on an 'as required' basis during the year. As the committee has two members, it does not satisfy the requirements of Recommendation 8.1 to have at least three members.

GCS distinguishes the structure of Non-Executive Directors' remuneration from Executive Directors and Executives. The Remuneration Committee ensures the fees are within the cap approved by shareholders. This contrast in structure is underpinned by the Company's Remuneration Philosophy and Remuneration Structure.

The Remuneration Committee Charter is available on the Company's website in the 'Investors' section. For further details on Remuneration, please refer to the Remuneration Report within this annual report.

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The PCH will have 298 beds (48 more than the current facilities at PMH) and the design of the building allows for future expansion. Construction of the new hospital began in January 2012 and is due to open in late 2015.

#### The scope of works for GCS at the Perth Children's Hospital Project includes:

- Window / Facade Installation;
- Scaffold and Access Solutions;
- \_ . . . .
- Formwork Supply;
- Plant and Equipment;
- Site Accommodation; and
- Temporary Fencing.



## DIRECTORS' 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 2015.

#### **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
Gabriel Chiappini Company Secretary

#### **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.

**Qualifications** BE (Hons), LGE

Other Current Directorships Non-Executive Chairman of Mineral Resources Limited

Former Directorships (3 years) None

**Special Responsibilities** Chairman of Board of Directors

Chairman of Audit and Risk Management Committee Chairman of Nomination and Remuneration Committee

Interests in Shares221,361Interest in OptionsNone

#### **Enzo Gullotti**

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**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.

Other Current Directorships None
Former Directorships (3 years) None

Special Responsibilities Group Managing Director

Interests in Shares7,326,349Interest in OptionsNone



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#### **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 five 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.

 Qualifications
 B.Bus

 Other Current Directorships
 None

 Former Directorships (3 years)
 None

**Special Responsibilities** Member of Audit and Risk Management Committee

Member of Nomination and Remuneration Committee

Interests in Shares 4,767,518
Interest in Options None

#### **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.

Other Current Directorships None
Former Directorships (3 years) None

Special Responsibilities Executive Director

Interests in Shares (1) 4,768,472
Interest in Options None

#### **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 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).

**Qualifications** B.Bus, GAICD, CA

Special Responsibilities Member of Audit and Risk Management Committee

<sup>(1)</sup> CASC Services Pty Ltd held 6,297,612 shares (2014: 6,282,622) which are held in the Chiari Used Trust in which G. Chiari has an interest.

## DIRECTORS' REPORT

#### **MEETINGS OF DIRECTORS**

The number of meetings of GCS's Board of Directors and each Board Committee held during the year ended 30 June 2015 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	10	2	2	1	1	
Enzo Gullotti	11	11	0	2 (1)	0	1 (1)	
Sam Mangione	11	10	2	2	1	0	
George Chiari	11	10	0	2 (1)	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 diversified 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 continuously focus on improving 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;
- 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 one of the leading companies in Western Australia in this sector. 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 GCS 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.

#### **OVERVIEW AND FINANCIAL RESULTS**

#### Overall Market

The FY15 financial and operational performance 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.

The Perth CBD is currently undergoing a substantial transformation with significant investment committed by the Western Australian Government and the private sector In new projects. Momentum in the commercial sector is increasing with a substantial pipeline of opportunities, and tender activity in this sector remaining strong. The Board remains optimistic on this investment pipeline activity increasing in financial year 2016 with recent major contracts awarded to main contractors and subsequently to GCS. GCS's proven track record and reputation will ensure its successful involvement in these opportunities.

The Western Australian resources investment cycle continued to soften during the year on the back of a slowdown in mining activity and capital investment as major projects moved from construction to production phase.



The significant lchthys liquefied natural gas (LNG) project continued to ramp up, 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. Notwithstanding the decline in this segment GCS secured contract win and contract extension successes that will continue to deliver solid returns, and our businesses and existing integrated product and services offering are well placed to support future growth opportunities in this sector.

The Western Australian housing market continued its positive momentum during FY15. There has been a clear improvement 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 as a result of higher utilisation levels and price growth.

Despite the challenging market conditions in GCS's core businesses, the Board and management has continued to successfully monitor and responded to the changed external environment by adjusting its business strategies. During the year we continued with our significant rationalisation of operations to align resources to match activity levels, improved our cost base, strengthened the balance sheet and managed our portfolio of businesses more efficiently.

# **Financial Performance**

GCS Group revenues from continuing operations decreased 6.0% to \$150.5m (FY14: \$160.1m) primarily due to the one off sale of scaffold supplied to the Gorgon project in the prior year (\$8.4m). The Group recorded a statutory net profit after tax of \$8.7 million (FY14: \$8.2m) an increase of 7.1% over the corresponding period. Group EBITDA of \$27.9 million (FY14: \$29.1m) was lower than the corresponding period with Group EBITDA margin slightly higher at 18.5% (FY14: 18.2%) due to reducing costs through operating efficiencies and productivity improvements, partially offset by lower utilisation levels and the highly competitive pricing environment. Group EBIT was \$16.2 million (FY14: \$17.1m), and earnings per share were 4.7 cents (FY14: 4.8 cents). In general, the financial performance for the full year of 2015 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 strong activity levels and improved margins in the Residential sector and another strong 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 \$30.9m, \$32.7m (51%) lower than the prior corresponding year. This has been achieved through strong operating cash flow and funds from the equity placement used to repay \$8.8m of bank debt. Total capital expenditure (cash and hire purchase) for the year of \$12.5m was \$5.1m higher than the prior corresponding year and reflects growth capex primarily for the initial supply of scaffold equipment to the Ichthys and Sino Iron projects, and formwork equipment for the Capital Square project. The Company net debt to equity position has continued to improve and decreased to 14% from 32% in the prior corresponding year.

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 2015 \$'000	30 June 2014 \$'000
Profit for the year after income to	ax 8,741	8,165
Add back finance costs	4,629	6,048
Add back income tax expense	2,826	2,926
EBIT	16,196	17,139
Add back depreciation	11,567	11,526
Add back amortisation	120	479
EBITDA	27,883	29,144

# **Board and Executive**

The Company continues to undertake 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.

We are pleased that Enzo Gullotti (Group Managing Director) and George Chiari (Executive Director) have agreed to extend their employment agreements with the Company for an additional term of two years, commencing 1 July 2015.

# Commercial

The Commercial division (CASC) successfully completed its key contracts on both the Brookfield Place Tower 2 project and May Holman Centre for Probuild during the first half of the year. Installation of the façade on the Perth Children's Hospital and Kings Square projects being constructed by John Holland, and Brookfield Place Tower 2 and Crown Hotel being constructed by Brookfield Multiplex continue to progress well. In the second half of the year CASC received a \$46.2m Letter of Intent for Tower 1 on the Capital Square project in the Perth CBD, and was awarded a \$30.0m formwork and concrete contract by Brookfield Multiplex for the new Perth Stadium. Work on both these projects has commenced and is progressing. GCS was also awarded an exclusive equipment and labour hire agreement by Brookfield Multiplex in WA.

Both revenue in this segment at \$83.5m (FY14: \$84.2m) and adjusted EBITDA at \$12.8m (FY14: \$12.8m) were maintained with steady demand for Portable site accommodation and the suite of the other products and services offered by GCS.

# DIRECTORS' REPORT

# **OVERVIEW AND FINANCIAL RESULTS (continued)**

# Resource, Industrial, Oil & Gas

The Western Australian resources investment cycle continued to soften during the year on the back of a slowdown in mining activity and capital investment as major projects moved from construction to production phase. The one off sale of scaffold supplied to the Gorgon project in the prior year (\$8.4m) and competitive market conditions for Plant Hire and Portable site accommodation contributed to the decline in revenue and EBITDA of this segment.

However, the decline in this segment is being offset on the back of some recent successes in H2FY15. The contract for the principal management and supply of scaffolding for all Woodside Energy Limited's North West Shelf Project on shore and offshore locations was extended to 31 December 2017 with renewal options. In May 2015, GCS was also awarded the scaffolding services contract for the Sino Iron Project by CITIC Pacific Mining for an initial 2 year term with renewal options. These contracts recognise GCS's successful delivery capabilities with projects in the North West and are important steps in GCS building sustainable annuity revenue streams within its services business. Also during this year GCS Industrial Services Pty Ltd, as Kaefer's exclusive supply chain partner, commenced the supply of scaffold equipment for their Ichthys project scaffolding services package.

Revenue in this segment decreased 16.3% to \$42.5m (FY14: \$50.8m) and adjusted EBITDA decreased 20.3% to \$10.6m (FY14: \$13.3m).

# Residential

The Western Australian housing market continued its positive momentum during FY15. There has been a clear improvement 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 as a result of higher utilisation levels and price growth. Management is continually monitoring this business to rationalise and align resources to service this market.

Revenue in this segment decreased 2.4% to \$24.5m (FY14: \$25.1m) and adjusted EBITDA increased 20.7% to \$7.0m (FY14: \$5.8m).

# Corporate

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In November 2014, GCS announced a two tranche \$14m strategic placement of 29.8m ordinary shares at \$0.47 per share to Brookfield Capital Partners III, a private equity fund managed by Brookfield Asset Management Inc. The Placement pricing was at a 6.8% premium to last close and 10.4% premium to the one month VWAP. Funds from the Placement were used to reduce debt and to provide additional working capital.

The Placement is part of a strategic partnership between GCS and Brookfield formed to pursue industry consolidation and expand GCS' products and skill set nationally. The skills, contacts and balance sheet of Brookfield make it an ideal partner for GCS to work with to continue to drive its East Coast expansion, to consolidate a highly fragmented industry and to take advantage of the increasing number of distressed opportunities coming available, particularly in the resources exposed segment of the market.

In December 2014, GCS successfully completed the refinancing of its debt facilities to enhance the Group's capital structure. The new 5 year secured facility for A\$60 million with GE Capital replaces a significant portion of the existing equipment finance facilities, and its Westpac secured debt facility that was due to expire 31 October 2015. This new facility extended the Company's average debt maturity profile, and provides a more flexible and sustainable debt structure to support and respond to market conditions.

# MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There were no matters or circumstances since 30 June 2015 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 FY16 and the periods beyond.

The pipeline of opportunities and tender activity in the commercial sector is gathering momentum and continues to be substantial. The Board remains optimistic on this investment pipeline activity increasing in financial year 2016 with recent major contracts awarded to main contractors and subsequently to GCS. 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 recently secured contract win and contract extension opportunities will continue to deliver solid returns 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 segment is cautiously positive with the strong activity experienced in FY15 expected to continue throughout FY16. We are anticipating the low interest rate environment will continue the improved confidence and investment in housing which will provide a positive benefit to our operations in this sector.

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 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.

# PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the Company, nor have any applications been made in respect of the Company under Section 237 of the *Corporations Act 2001*.

# **CORPORATE GOVERNANCE**

The Board is committed to achieving the highest standards of corporate governance. The Board reviews and improves it 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 on page 26.

# **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 FY15. The Board will continue to monitor the business and market conditions and is targeting the reinstatement of dividends in FY2016.

# **REMUNERATION REPORT (AUDITED)**

# Letter from Chairman of Remuneration Committee

Dear Shareholders,

During FY15, your Company has continued to implement its structural changes commenced in FY14 to improve our balance sheet, efficiency and market penetration. The Chairman's report has noted Global Construction Services Limited's focus on building shareholder value through sales growth and performance 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 the Company engaged with key stakeholders and advisors to review and improve the remuneration governance framework which has been implemented during 2015. We continue to engage with key stakeholders and welcome feedback and correspondence from all shareholders and key stakeholders in respect of this and all other matters.

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 procure an improved remuneration framework and outcomes as part of the FY15 Annual Report.

If any shareholders or their representatives would like to contact me directly 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

# DIRECTORS' REPORT

# **REMUNERATION REPORT**

The Directors present the remuneration report of Global Construction Services Limited for the year ended 30 June 2015, 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
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, experienced and 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 and review of the Company's remuneration framework which:

- Recommends remuneration levels for Directors and Key Management Personnel;
- Proposes Non-Executive Director fees;

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- Establishes 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 formally 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 2015, Global Construction Services Limited did not engage the services of a remuneration consultant in respect of its remuneration matters, however the Company may seek external remuneration consultants to assist it with the structure for the STI Plan and LTI Plan.

# VOTING AND COMMENTS AT PREVIOUS ANNUAL GENERAL MEETINGS

The Company did not generate a strike against the adoption of its remuneration report for FY14. The FY14 Remuneration Report received positive shareholder support at the FY14 AGM with a vote of 85% in favour. However following the feedback from shareholders at the previous AGM, we identified a number of key areas for improvement which resulted in a review of remuneration practices, policies, and plans associated with KMP remuneration. To develop an appropriate foundation for future practices, the Remuneration Committee has introduced a formal Remuneration Governance Framework which consists of:

- A revised Remuneration Committee Charter which now mandates the ongoing development and maintenance of all 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.

Going forward, the Remuneration Committee will continue to implement the above items with appropriate assistance from external remuneration consultants as considered necessary.

There were no salary increases during FY15 for current Directors and Key Management Personnel (KMP) above current contractual requirements and/or CPI and contractual terms. The executive directors have retained significant equity positions in the Company which the Board considers 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 2015 is detailed in Table 2 of this report and has not been increased for the past three (3) years.

# 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 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, and are therefore 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.

# **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 by the Remuneration Committee and benchmarked against a number of indicators and market data.

# **SHORT-TERM INCENTIVES (STI)**

The objective of a variable STI 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 are to:

- 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 and medium term changes in the circumstances of the Company.

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 based upon specific outcomes. The key STI measures for the Group in FY15 consist of a number of targets tied to the performance on the GCS Group's major contracts namely safety performance, financial performance, scheduling performance, and customer satisfaction. The STI is currently a discretionary 'bonus' arrangement 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 or make no payments in response to unexpected or unintended circumstances and where market issues dictate such a decision. Any STI payments to Key Management Personnel during the 2015 financial year were based on achieving strategic and/or business objectives.

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# DIRECTORS' REPORT

# **OTHER INCENTIVES**

During FY15, the Company, through the remuneration committee, agreed terms with the majority of the Key Executives to extend their service agreements through to 30 June 2017. As noted above, through engagement with key non-related shareholders and proxy advisors, the Remuneration Committee will continue to work on a long term incentive component of remuneration for Key Executives and to drive the succession planning of the Company. As part of the long term incentive component, the Company sought and received approval for a Performance Rights Plan at its 2014 AGM incorporating LTI performance hurdles that will include performance measured against 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.

	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Profit for the year attributable to holders of Global					
Construction Services Limited	8,741	8,165	15,340	22,843	19,424
Dividends paid	-	-	3,405	10,152	6,328
	Cents	Cents	Cents	Cents	Cents
Earnings per share	4.70	4.80	9.70	19.70	20.80
Share price at start of the year	46.00	44.00	125.00	100.52	88.00
Share price at end of the year	49.00	46.00	44.00	125.00	100.52
Dividends per share paid	0.00	0.00	2.00	4.25	8.25
	%	%	%	%	%
Increase/(decrease) in share price	7	5	(65)	24	14
Dividend payout ratio	-	-	21	22	40

# 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.

# 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 an additional term of two years, commencing 1 July 2015. The terms of this agreement are all as per the previous 3 year agreement and include:

- a. Salary payable is \$589,580 inclusive of superannuation from 1 July 2015;
- 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; and
- 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.

# Mr George Chiari, Executive Director

An employment agreement has been entered into between C.A.S.C. Constructions Pty Ltd (CASC) and George Chiari. The terms of this agreement are all as per the previous 3 year agreement and include:

- a. The term of employment is two years from 1 July 2015;
- Salary payable is \$476,964 per annum inclusive of superannuation commencing 1 July 2015 plus the use of a mobile phone;

- 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;
- The agreement may also be terminated for serious misconduct, in which event CASC is not required to pay compensation; and
- 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.

# 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 this agreement of employment are substantially the same and include:

- a. The term of employment is five years from 15 April 2011;
- Salary payable is \$441,965 per annum inclusive of superannuation commencing 1 July 2015, 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; and
- 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.

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# DIRECTORS' REPORT

**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 2015 and 30 June 2014.

		Short-term employee benefits	oloyee benefits		Post employment	Long-term benefits		
2015	Cash salary and fees	Short-term Incentives \$	Retention Incentives \$	Non monetary benefits \$	Superannuation \$	Long Service Leave \$	Total \$	Performance Based %
Non-Executive Director P Wade S Mangione	84,121	. , ,	. , ,	. , ,	- 5 237	. , ,	84,121	
Executive Directors E Gullotti	566,086	ı	1	66,253	25,000	,	657,339	
G Chiari Key Management Personnel G Hearn	418,400				35,000		453,400	
C Genovesi	305,000	20,000		10,291	25,000		390,291	13
Non-Executive Director P Wade	84,121		,			1	84,121	
S Mangione	55,125	1	•	•	5,099	•	60,224	•
M Sertorio (1)	20,042	1	ı	1	1,700	1	21,742	ı
Executive Directors E Gullotti (2)	568,199	•		53,696	25,000		646,895	,
G Chiari	429,252	ı	•		25,000	1	454,252	
<b>Key Management Personnel</b> G Hearn	429,252	•	1	•	25,000	1	454,252	ı
C Genovesi	305,000	1	•	1	25,000	•	330,000	1

<sup>(1)</sup> Resigned 31 October 2013.
(2) Annual leave cashed out dur

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



# **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.

2015	Balance as at 1 July 2014	Other changes during the year	Balance as at 30 June 2015
Directors			
P Wade	221,361	-	221,361
E Gullotti (1)	8,047,702	(721,353)	7,326,349
S Mangione (1)	4,754,562	12,956	4,767,518
G Chiari (1 & 2)	4,759,256	9,216	4,768,472
Other key management	personnel		
G Hearn	809,151	-	809,151
C Genovesi	30,000	-	30,000

- At 30 June 2015, GBMC Holdings Pty Ltd (GBMC) held Nil shares (2014: 143,235) and the following Directors held shares in GBMC: E Gullotti, S Mangione and G Chiari.
- (2) At 30 June 2015, CASC Services Pty Ltd held 6,297,612 shares (2014: 6,282,622) which are held in the Chiari Used Unit Trust by G Chiari.

# 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 \$516,972 per annum, the agreement expired 31 August 2015. 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 \$176,959 (2014: \$183,106) for its services which are provided on arms length commercial terms on an 'as needs' basis.

The GCS Group utilises services provided by AV Truck Services Pty Ltd. George Chiari, a Director of GCS, has an interest in AV Truck Services Pty Ltd. AV Truck Services Pty Ltd has been paid approximately \$99,822 (2014: \$17,342) 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 \$368,658 (2014: \$350,140) 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, including outgoings, was \$848,631. The rental amount from 1 July 2015 is \$840,000 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 \$87,893. 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 \$75,443. The property was sold to Miromiro Pty Ltd on 10 September 2014 with the lease continuing with the new owners. George Chiari, a Director of GCS, is a Director of Miromiro Pty Ltd. The rental amount paid during the year to Miromiro Pty Ltd, including outgoings was \$200,210. The rental amount from 1 July 2015 is \$256,900 per annum.

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 \$262,859. The rental amount from 1 July 2015 is \$254,678 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 interest in Keppel Holdings Pty Ltd. The rental amount paid during the year, including outgoings, was \$594,483. The rental amount from 1 July 2015 is \$555,660 per annum.

GCS Hire Pty Ltd and GCS Budget Portables Pty Ltd leases yard spaces on arms length commercial terms in Muchea from Aussie Modular Solutions Pty Ltd. The rental amount paid during the year was \$77,750. The rental amount from 1 July 2015 is \$225,000 per annum. 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 \$101,915. The rental amount from 1 July 2015 is \$98,000 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 2015 is \$90,480 per annum. Graeme Hearn, a Director of Global Industrial Services (Aust.) Pty Ltd, has an interest in Crompton Rd Property Trust.

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# DIRECTORS' REPORT

Aggregate amounts of each type of transactions with key management personnel of the Group	2015 \$'000	2014 \$'000
Amounts recognised in expenses	2,616	2,869
Purchases and hire of equipment and services	886	867
Sales of Goods and Services	186	233
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	2	45
Current payables (purchases of goods and services) – Related parties	53	132

# **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 2015 under the Global 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**

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# **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 page 48.

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 2015



The Ichthys LNG Project is the Northern Territory's largest construction project and is ranked among the most significant oil and gas projects in the world. The project includes; a state-of-the-art onshore processing facility; some of the largest offshore facilities in the industry; and an 889 km pipeline, uniting them for an operational life of at least 40 years. The Ichthys gas fields are located about 220 km off the Western Australia coastline and represent the largest discovery of hydrocarbon liquids in Australia in 40 years.



In conjunction with Kaefer Integrated Services Pty Ltd, GCS was awarded one of the major scaffolding packages for construction of the Project's onshore LNG facility. GCS has been appointed Kaefer's exclusive supply chain partner for the Ichthys project in Darwin.

# The scope of works for GCS at Ichthys thus far includes:

Scaffold and Access Solutions (6,000 tonne).



# 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 2015, I declare that, to the best of my knowledge and belief, there have been:

- 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.

Phillip Murdoch Director

BDO Audit (WA) Pty Ltd Perth, 30 September 2015

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



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The Directors of the Company declare that:

- 1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of 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 other mandatory professional reporting requirements; and
  - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of the performance for the year ended on that date of the Group.
- 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 of the *Corporations Act 2001*.

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:

**Peter Wade** 

Non-Executive Chairman

30 September 2015

# 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 2015, 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**

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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.

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.





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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:
  - giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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 2015. 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 2015 complies with Section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd** 

**Phillip Murdoch** 

Director

Perth, 30 September 2015



Currently under construction on the Burswood Peninsula, the New Perth Stadium will be a world class multi-purpose venue.

cricket, and entertainment events with drop-in seats adding flexibility to host rugby and soccer. The stadium also has the capability to host major events consistent with requirements for Commonwealth Games and international athletics.





# The scope of works for GCS at the New Perth Stadium includes:

- Scaffold and Access Solutions;
- Concrete Pumping & Placement;
- Formwork;
- Plant and Equipment;
- Site Accommodation; and
- On-site Personnel.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a)(b)	\$'000 143,070 7,438 <b>150,508</b>	\$'000 143,786 16,342
• •	7,438	
• •	7,438	
• •	,	
• •	,	160,128
	1,136	1,175
` ′	,	(37,036)
	, , ,	(74,459)
	(10,837)	(14,080)
	(7,531)	(7,013)
	(2,362)	(1,273)
(d)	(11,567)	(11,526)
(d)	(120)	(479)
	(4,629)	(6,048)
1	1,716	1,702
	11,567	11,091
5 <sup>–</sup>	(2,826)	(2,926)
	8,741	8,165
	-	-
	8,741	8,165
	8,741	8,165
3	4.7 cents	4.8 cents
	4.7 cents	4.8 cents
( (	(d) (d) 11 6 - -	(36,214) (68,533) (10,837) (7,531) (2,362) (d) (11,567) (d) (120) (4,629) 11 1,716 11,567 6 (2,826) 8,741  - 8,741  - 8,741

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

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



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	Note	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	20,702	13,808
Trade and other receivables	8	29,046	27,542
Prepayments		4,354	4,549
Inventories	9	7,154	5,789
Current tax assets		-	571
Total current assets		61,256	52,259
Non-current assets			
Other receivables	10	7,610	9,742
Investments accounted for using the equity method	11	8,341	6,625
Property, plant and equipment	12	171,652	173,729
Intangible assets	13	58,986	58,609
Deferred tax assets	14	3,264	2,859
Other financial assets	15	24	113
Total non-current assets		249,877	251,677
TOTAL ASSETS		311,133	303,936
LIABILITIES Current liabilities Trade and other payables Borrowings Deferred income	16 17 18	17,043 18,157 3,722	13,893 23,772 220
Current tax liabilities		1,017	-
Total current liabilities		39,939	37,885
Non-current liabilities			
Borrowings	17	33,490	53,653
Provisions	19	3,567	2,302
Deferred tax liabilities	20	13,848	12,055
Total non-current liabilities		50,905	68,010
TOTAL LIABILITIES		90,844	105,895
NET ASSETS		220,289	198,041
EQUITY			
Issued capital	21	142,108	128,601
Reserves	21	140	140
Retained profits	21	78,041	69,300
TOTAL EQUITY		220,289	198,041

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2015 \$'000	2014 \$'000
Cook flows from anaroting activities	Note	\$ 000	\$ 000
Cash flows from operating activities		150 015	170 005
Receipts from customers		152,815	172,895
Payments to suppliers and employees		(123,030)	(137,149)
Income taxes paid		372	(5,361)
Net cash inflow from operating activities	28	30,157	30,385
Cash flows from investing activities			
Payments for property, plant and equipment		(5,728)	(2,768)
Proceeds from sale of property, plant and equipment		108	495
Interest received		825	799
Loans from/(to) related parties		2,129	(137)
Net cash outflow from investing activities		(2,666)	(1,611)
Cash flows from financing activities			
Proceeds from borrowings		25,431	7,000
Repayment of borrowings		(55,032)	(31,293)
Interest paid		(4,280)	(5,990)
Proceeds from issue of ordinary shares		14,026	(3,330)
		·	-
Transaction costs from issue of ordinary shares		(742)	(20.202)
Net cash outflow from financing activities		(20,597)	(30,283)
Net increase/(decrease) in cash and cash equivalents		6,894	(1,509)
Cash and cash equivalents at the beginning of the year		13,808	15,317
Cash and cash equivalents at the end of the year	7	20,702	13,808

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

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



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	Ordinary \$'000	Option Reserve \$'000	Retained Earnings \$'000	Total \$'000
FOR THE YEAR ENDED 30 JUNE 2014				
Balance at 1 July 2013	128,601	140	61,135	189,876
Profit for the year	-	-	8,165	8,165
Total comprehensive income for the period	-	<u>-</u>	8,165	8,165
Transactions with owners in their capacities as own	ers			
Issue of ordinary shares, net of transactions costs	-	-	-	-
Tax-effect on share based transaction costs	-	-	-	-
Balance at 30 June 2014	128,601	140	69,300	198,041
FOR THE YEAR ENDED 30 JUNE 2015				
Balance at 1 July 2014	128,601	140	69,300	198,041
Profit for the year	-	-	8,741	8,741
Total comprehensive income for the period	-	-	8,741	8,741
Transactions with owners in their capacities as own	ers			
Issue of ordinary shares, net of transactions costs	13,284	-	-	13,284
Tax-effect on share based transaction costs	223	-	-	223
Balance at 30 June 2015	142,108	140	78,041	220,289

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



The Kings Square project is one of Australia's most significant CBD urban renewal developments and is located within the \$5.2 billion Perth City Link precinct.

The new master planned project will include five commercial office towers (KS1-KS5) and two residential buildings (KS6-KS7) whilst incorporating a vibrant mix of public, transit, and retail zones. KS1, KS2, KS3, and KS4 commenced construction in 2013 and are due to be completed in 2015.



The Kings Square site sits on top of Perth's primary transport hub and is the precincts centrepiece connecting Perth's CBD, Northbridge's Entertainment Precinct, and Perth's Cultural Centre. Anchor tenants named thus far include construction company John Holland, energy giant Shell, and insurance provider HBF.

# The scope of works for GCS at Kings Square includes:

- Site Accommodation;
- Window / Facade Installation; and
- Plant and Equipment;
- Scaffold and Access Solutions.



# 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. 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 2015.

# **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 the first time for their annual reporting period commencing 1 July 2014:

- Interpretation 21 Accounting for Levies
- AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards
   Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2014-1 Amendments to Australian Accounting Standards

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None of the new Standards and amendments to Standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods. Additionally, they did not significantly affect the Group's accounting policies or any of the disclosures.

#### **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 98/100 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 it 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 noncontrolling 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.

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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

# 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

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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.

## I. 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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 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

Hire plant and equipment is depreciated based on a 'units of use' basis to reflect the expected patterns of consumption of these assets. The 'units of use' is 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 application of the 'units of use' basis is as follows:

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

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.

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#### 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 pavables

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.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# 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

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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

The depreciation estimate of hire, plant and equipment assets is on a 'units of use' basis, which reflects the expected pattern of consumption of these assets. The 'units of use' are 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. 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 2015. They have not been adopted in preparing the financial statements for the year ended 30 June 2015 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. 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 15 Revenue from Contracts with Customers. This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The nature of the change is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of AASB 15 and due to the replacement of AASB 111, it is expected to have an impact on the presentation and disclosure of construction contracts that are in place when application of the standard becomes mandatory.
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (issued January 2015) - Effective for periods beginning on or after 1 January 2016. These amendments are applicable to annual periods beginning on or after 1 January 2016. The changes affect two standards as follows: AASB 5 Non-current Assets Held for Sale and Discontinued Operations. The update clarifies that if assets/ disposal groups are reclassified from being held for sale to being held for distribution to owner or vice versa, this is considered to be a continuation of the original plan for disposal. It also clarifies that if assets cease to be held for distribution to owners, the usual AASB 5 requirements for assets that cease to be held for sale will apply. The update also affects AASB 119: Employee benefits by clarifying that high quality corporate bonds or national government bonds used to determine the discount rate for long service leave and defined benefit liabilities must be denominated in the same currency as the benefits that will be paid to the employee.

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# **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 one of 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 multistory residential developments. These typically include houses, townhouses, units, and apartments. Contracts are generally short to medium term.





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to the Group Managing Director SEGMENT INFORMATION			Resource, Industrial,	
Year ended 30 June 2015	Commercial \$'000	Residential \$'000	0il & Gas \$'000	Total \$'000
Total segment revenue	134,967	25,467	57,578	218,012
Intersegment revenue	(51,511)	(937)	(15,056)	(67,504)
Revenue from external customers	83,456	24,530	42,522	150,508
Other revenue	213	133	20	366
Total revenue	83,669	24,663	42,542	150,874
Adjusted EBITDA	12,836	7,002	10,598	30,436
Depreciation and amortisation	(5,224)	(1,516)	(4,640)	(11,380)
Unallocated amounts: Depreciation and amortisation				(307)
Unallocated amounts: Other revenue				2,036
Unallocated amounts: Corporate				(6,305)
Finance costs				(4,629)
Share of profit of equity accounted investees				1,716
Profit before income tax expense				11,567
Income tax expense				(2,826)
Profit after Income tax expense			-	8,741
Segment assets	110,274	29,880	75,405	215,559
Unallocated assets:				
Intersegment eliminations				(8,207)
Corporate assets:				
Cash and cash equivalents				14,801
Receivables				11,800
Prepayments				325
Property, plant and equipment				13,351
Intangibles				450
Goodwill				51,449
Share of equity accounted investees (net of income tax)				8,341
Deferred tax assets  Total assets per statement of financial position			-	3,264 <b>311,133</b>
Segment liabilities	37,833	9,116	27,550	74,499
Unallocated Liabilities:				(0.00=)
Intersegment eliminations				(8,207)
Corporate liabilities:				0.404
Trade and other payables				3,481
Current loans and borrowings				2,373
Non-current loans and borrowings				3,494
Income tax (benefit) payable				1,017
Droviniono				
Provisions Deferred tax liabilities				339 13,848

There was no impairment charge or other significant non-cash item recognised in 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<ul> <li>b. Segment information provided to the Group Managing Director (continued)</li> <li>Year ended 30 June 2014</li> </ul>	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)
Revenue from external customers	84,155	25,135	50,838	160,128
Other revenue	213	92	20	325
Total revenue	84,368	25,227	50,858	160,453
Adjusted EBITDA	12,839	5,834	13,316	31,989
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
Profit before income tax expense				11,091
Income tax expense				(2,926)
Profit after income tax expense				8,165
Segment assets	122,256	27,946	71,016	221,218
Unallocated assets:				
Intersegment eliminations				(10,768)
Corporate assets:				
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				2,859
Total assets per statement of financial position				303,936
Segment liabilities	37,169	5,039	29,752	71,960
Unallocated Liabilities:				
Intersegment eliminations				(10,767)
Corporate Liabilities:				
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				12,055
Total liabilities per statement of financial position				105,895

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



NOTE 5. REVENUE, OTHER INCOME AND EXPENSES	2015 \$'000	2014 \$'000
Revenues, other income and expenses from continuing operations		
n. Continuing operations		
Hire of equipment and related services	117,499	111,387
Contracting	25,571	32,399
Sale of goods	7,438	16,342
Approximately 11% (2014: 21%) of the consolidated entity's revenue is derived from a single customer.	150,508	160,128
o. Other revenue		
Management service fees	20	30
Interest received	826	933
	846	963
Other Income		
Net gains/(loss) on disposal of plant and equipment	(1)	5
Unrealised foreign exchange gains/(losses)	-	(1)
Property rental income	136	113
Other	155	95
	290	212
	1,136	1,175
c. Other expenses		
Impaired receivables in relation to Forge Group Limited (1)	-	1,754
Other impaired trade receivables	343	131
	343	1,885
(1) Pre tax bad debt write-off related to the collapse of the Forge Group.		
I. Depreciation and amortisation		
Depreciation:		
Buildings and leasehold improvements	364	336
Office and computer equipment	351	360
Motor vehicles	690	1,004
Plant and rental equipment  Total depreciation	10,162	9,826
Amortisation	<b>11,567</b> 120	<b>11,526</b> 479
Alliorusation	11,687	12,005
e. Operating leases expensed through profit and loss	11,007	12,003
Properties	6 165	E E1F
•	6,165	5,515
Motor vehicles and mobile equipment	594	601
. Impairment of other assets	6,759	6,116
Inventories	(82)	(541)
	(82)	(541)
j. Employee benefit expenses	(02)	(071)
rp		
Defined contribution superannuation expense	3,167	4,690

NO	TE 6. INCOME TAX EXPENSE		
		2015 \$'000	2014 \$'000
a.	Income tax expense		
	Current tax	2,299	2,301
	Deferred tax	687	194
	Adjustment for tax of prior periods	(160)	431
	Aggregate income tax expense	2,826	2,926
	Deferred income tax (benefit)/expense included in income tax expense comprises:		
	Decrease/(increase) in deferred tax assets	87	(181)
	(Decrease)/increase in deferred tax liabilities	600	375
		687	194
b.	Numerical reconciliation of tax expense to prima facie tax payable		
	Profit from operations before income tax expense	11,567	11,091
	Tax at the Australian tax rate of 30% (2014: 30%)	3,470	3,327
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(484)	(832)
	Adjustment for tax of prior periods	(160)	431
	Income tax expense	2,826	2,926
c.	Amounts recognised directly in equity		
	Net deferred tax – debited (credited) directly to equity	223	-

### d. Tax consolidation

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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 CACH AND CACH FOUNDALENTS		
NOTE 7. CASH AND CASH EQUIVALENTS	2015 \$'000	2014 \$'000
Cash at bank and in hand	20,702	13,808
	20,702	13,808
a. Reconciliation to cash at the end of the year		
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:		
Balances as above		
Cash at bank and in hand	20,702	13,808
Balances as per statement of cash flows	20,702	13,808
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.		
NOTE 8. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	29,025	27,329
Allowance for impairment	(368)	(666)
	28,657	26,663
Other receivables	389	879
a. Terms and conditions relating to the above financial instruments	29,046	27,542
i. Trade receivables are non-interest bearing and generally on 30 day terms; and		
ii. 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 \$343,338 in impaired trade receivables during the ye ended 30 June 2015 (2014: \$1,884,668). The Group carries an allowance for impaire trade receivables of \$367,725 (2014: \$666,147). The individual allowance for impaire receivables are segmented as Commercial; \$311,839 (2014: \$551,464), Residential; \$49,563 (2014: \$57,388), Resource, Industrial, Oil & Gas; \$6,323 (2014: \$57,295). It is anticipated a portion of these receivables will be recoverable. Refer to Note 32 fo additional information and ageing on impaired trade receivables.	ed ed ;	
Movements in the allowance for impaired trade receivables are as follows:		
At the beginning of the financial year	666	740
Allowance for impairment, recognised during the year	45	1,811
Receivables written off as uncollectable	(343)	(1,885)
	368	666

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	2015 \$'000	2014 \$'000
Inventory	1,589	2,211
Construction work in progress	5,565	3,578
	7,154	5,789
Inventories recognised as an expense during the year ended 30 June 2015 amounted to \$5,426,711 (2014: \$13,718,253). Provision for obsolete stock was included in this amount of \$701,092 (2014: \$634,991).		
NOTE 10. NON-CURRENT RECEIVABLES		
Non-current Non-current		
Loans to related parties	7,607	9,736
Other	3	6
	7,610	9,742

As at 30 June 2015, Global Construction Services Limited had a loan outstanding of \$107,278 (2014: \$736,119) from GCS Concrete Pumping Pty Ltd which is being utilised by the business as working capital. The loan is unsecured and accrues interest of 7% per annum 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 2015, Global Construction Services Ltd had a loan outstanding of \$7,500,000 (2014: \$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 Share of profits after income tax Carrying amount at the end of the financial year

8,341	6,625
1,716	1,702
6,625	4,923

	Place of Business/Country	Ownership held by t		Nature of	Measurement	
Name of Entity	of Incorporation	2015	2014	relationship	method	Fair value
SmartScaff Pty Ltd	Australia	50%	50%	Associate	Equity Method	N/A*
GCS Concrete Pumping Pty Ltd	Australia	50%	50%	Joint Venture	<b>Equity Method</b>	N/A*

<sup>\*</sup>Private company - no share price available

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	GCS Concrete Pumping Pty Ltd		SmartScaff Pty Ltd	
Summarised statement of financial position	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
ASSETS				
Total Current Assets			7,169	6,142
Non-Current Assets			36,094	34,506
TOTAL ASSETS			43,263	40,648
LIABILITIES				
Total Current Liabilities			7,712	3,403
Total Non-Current Liabilities			20,206	25,653
TOTAL LIABILITIES			27,918	29,056
NET ASSETS			15,345	11,592
Fair value adjustment on acquisition			1,336	1,336
Closing net assets			16,681	12,928
Groups share	50%	50%	50%	50%
Carrying Amount	-	162	8,341	6,464

	GCS Concrete	Pumping Pty Ltd	SmartScaff Pty Ltd		
Summarised statement of profit or loss and other comprehensive income	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	
Revenue			15,226	16,935	
Profit for the period			3,754	3,327	
Other comprehensive income			-	-	
Total comprehensive income			3,754	3,327	
Groups Share in profit	(161)	39	1,877	1,663	

As at 30 June 2015, Global Construction Services Limited had a loan outstanding of \$7,500,000 (2014: \$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 2015, Global Construction Services Limited had a loan outstanding of \$107,278 (2014: \$736,119) from GCS Concrete Pumping Pty Ltd which is being utilised by the business as working capital. The loan is unsecured and accrues interest of 7% per annum 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 2015 (2014: Nil).

### **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
YEAR ENDED 30 JUNE 2014						
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)
Closing net book amount	9,749	4,741	1,018	2,756	155,465	173,729
AS AT 30 JUNE 2014						
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)
Net book amount	9,749	4,741	1,018	2,756	155,465	173,729
_						
YEAR ENDED 30 JUNE 2015						
Opening net book amount	9,749	4,741	1,018	2,756	155,465	173,729
Additions	-	525	99	340	11,563	12,527
Disposals	-	(116)	(16)	(50)	(2,855)	(3,037)
Depreciation charge	-	(364)	(351)	(690)	(10,162)	(11,567)
Closing net book amount	9,749	4,786	750	2,356	154,011	171,652
AS AT 30 JUNE 2015						
Cost of fair value	9,749	5.724	2,102	4,640	195.887	218,102
Accumulated depreciation	-	(938)	(1,352)	(2,284)	(41.876)	(46,450)
Net book amount	9,749	4.786	750	2,356	154.011	171,652

### 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	2015 \$'000	2014 \$'000
Plant and rental equipment	-	59
	-	59
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	109,723	84,874



### **NOTE 13. INTANGIBLE ASSETS**

a. Intangible asset movement 30 June 2014	Goodwill \$'000	Customer Contracts \$'000	Other Intangibles \$'000	Total \$'000
Opening net book amount as at 1 July 2013	58,535	430	123	59,088
Amortisation expense	-	(430)	(49)	(479)
Closing net book amount as at 30 June 2014	58,535	-	74	58,609
Cost	58,535	2,750	184	61,469
Accumulated amortisation and impairment	-	(2,750)	(110)	(2,860)
Closing net book amount as at 30 June 2014	58,535	-	74	58,609
30 June 2015				
Opening net book amount as at 1 July 2014	58,535	-	74	58,609
Additions	-	-	497	497
Amortisation expense	-	-	(120)	(120)
Closing net book amount as at 30 June 2015	58,535	-	451	58,986
Cost	58,535	2,750	681	61,966
Accumulated amortisation and impairment	-	(2,750)	(230)	(2,980)
Closing net book amount as at 30 June 2015	58,535	-	451	58,986

### 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:	2015 \$'000	2014 \$'000
Commercial	50,729	50,729
Residential	7,806	7,806
	58.535	58,535

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based upon managements projected EBITDA and 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.

	ur	owin kate	DIS	count Kate
c. Key assumptions used for value-in-use calculations	2015	2014	2015	2014
Cash generating unit	%	%	%	%
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 required for the year ended 30 June 2015.

NOTE 14. NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	1,930	1,401
Doubtful debts	110	200
	2,040	1,601
Other	1,224	1,258
Subtotal other	1,224	1,258
Total deferred tax assets	3,264	2,859
Deferred tax assets to be recovered within 12 months	2,040	2,171
Deferred tax assets to be recovered after more than 12 months	1,224	688
	3,264	2,859

Movements	Employee Benefits	Doubtful	Other	Total
Consolidated	\$'000	Debts \$'000	\$'000	Total \$'000
AT 30 JUNE 2013	1,602	221	855	2,678
(Charged)/credited: to profit or loss				
Provision	-	-	386	386
Profit or loss	(201)	(21)	17	(205)
Directly to equity	· -	-	-	-
AT 1 JULY 2014	1,401	200	1,258	2,859
(Charged)/credited: to profit or loss				
Provision	338	-	(69)	269
Profit or loss	191	(90)	(188)	(87)
Directly to equity	-	` <u>-</u>	223	223
AT 30 JUNE 2015	1,930	110	1,224	3,264

NOTE 15. OTHER FINANCIAL ASSETS		
	2015	2014
Non-current	\$'000	\$'000
Deposits held in trust on property leases (carried at cost)	24	113

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NOTE 16. TRADE AND OTHER PAYABLES	2015	2014
Current	\$'000	\$'000
Trade payables (a)	14,342	10,614
Other payables (b)	2,701	3,279
	17,043	13,893
(a) Trade creditors are non-interest bearing and normally settled on terms ranging from 14 to 30 days.		
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	158	208

NOTE 17. BORROWINGS		
Current	2015 \$'000	2014 \$'000
Unsecured		
Borrowings	2,373	2,713
Total unsecured current borrowings	2,373	2,713
Secured		
Bank bill facility	-	2,000
Debt financing	3,494	-
Hire purchase finance	12,205	18,536
Lease liability	85	523
Total secured current borrowings	15,784	21,059
Total current borrowings	18,157	23,772
Non-current		
Secured		
Bank bill facility	-	25,340
Hire purchase finance	33,490	28,228
Lease liability	-	85
Total secured non-current borrowings	33,490	53,653

### a. Unsecured borrowings

Current unsecured borrowings are repayable in 10 monthly instalments and bear interest at a flat rate of 2.05% (2014: 2.78%) 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 12(b).

### c. Secured borrowings

The secured debt finance facility of \$20.0m (drawn to \$3.5m at 30 June 2015) has been secured by a floating charge over the assets of the Group. The facility is due to expire 23 December 2019.

During the period, the previous debt facility with Westpac (drawn to \$27.3m at 30 June 2014) was repaid in full and the facility extinguished.

### d. Risk exposures

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

### 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.



Current			2015 \$'000	2014 \$'000
Deferred income			3,722	220
Total unearned income			3,722	220 220
iotai anoamoa moomo			0,1 ==	
GCS recognises contract revenue in accor	rdance with the percentage of completi	on method		
where the outcomes can be reliability me				
he aggregate of costs incurred to date pl				
progress billings. If there are contracts when				
ncurred plus profits less losses, the net a	imount is classified as deferred income	•		
NOTE 19. PROVISIONS				
Non-current				
Employee benefits			3,567	2,302
Total Provisions			3,567	2,302
The provision for long service leave is reco	unised as a present value of expected fu	ture navments		
in respect of services provided up to the re				
Of the total provision, \$504,000 (2014: \$5				
does not have the right to deter settlement	•			
does not have the right to defer settlement				
•				
•				
NOTE 20. NON-CURRENT LIABILITIES – The balance comprises differences attribu	DEFERRED TAX LIABILITIES			
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attribu  Plant and equipment	DEFERRED TAX LIABILITIES		13,251	11,417
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment Other	DEFERRED TAX LIABILITIES		597	638
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises of the comprise of the co	table to:		597 <b>13,848</b>	638 <b>12,055</b>
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment other  Total deferred tax liabilities  Deferred tax liabilities to be recovered with	table to:		597	638
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment other  Total deferred tax liabilities  Deferred tax liabilities to be recovered with the process of the pr	table to:		597 <b>13,848</b> 13,848	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises of the comprises of the comprises differences attributed and equipment of the comprises of the com	table to:		597 <b>13,848</b>	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises of the comprises of the comprises differences attributed and equipment of the comprises of the com	table to: thin 12 months er more than 12 months	Other	597 13,848 13,848 - 13,848	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises differences attributed and equipment of the comprises differences attributed and equipment of the comprises differences attributed and efferred tax liabilities to be recovered after the comprises of the comprises differences attributed and efferred tax liabilities.  Movements	table to:	Other \$'000	597 <b>13,848</b> 13,848	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises of the comprise of the comprises of the comprise of the comprises of the comprise	table to: thin 12 months er more than 12 months  Plant and Equipment		597 13,848 13,848 - 13,848 Total	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises of the comprise of the co	thin 12 months er more than 12 months  Plant and Equipment \$'000	\$'000	597 13,848 13,848 - 13,848  Total \$'000	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the control o	thin 12 months er more than 12 months  Plant and Equipment \$'000  11,069	\$'000 <b>611</b> (103)	597 13,848 13,848 - 13,848  Total \$'000 11,680	638 <b>12,055</b> 12,055
The balance comprises differences attributed Plant and equipment Other  Total deferred tax liabilities Deferred tax liabilities to be recovered wite Deferred tax liabilities to be recovered after Total deferred tax liabilities  Movements  Consolidated AT 30 JUNE 2013 (Charged)/credited to: Provision Profit or loss	thin 12 months er more than 12 months  Plant and Equipment \$'000  11,069	\$'000 611 (103) 130	597  13,848  13,848  -  13,848  Total \$'000  11,680  (5) 380	638 <b>12,055</b>
The balance comprises differences attributed and equipment Other Total deferred tax liabilities Deferred tax liabilities to be recovered with Deferred tax liabilities to be recovered after Total deferred tax liabilities  Movements Consolidated AT 30 JUNE 2013 (Charged)/credited to: Provision Profit or loss	thin 12 months er more than 12 months  Plant and Equipment \$'000  11,069	\$'000 <b>611</b> (103)	597 13,848 13,848 - 13,848  Total \$'000 11,680	638 <b>12,055</b> 12,055
The balance comprises differences attributed and equipment other  Total deferred tax liabilities Deferred tax liabilities to be recovered with other total deferred tax liabilities to be recovered after total deferred tax liabilities  Movements  Consolidated AT 30 JUNE 2013 (Charged)/credited to: Provision Profit or loss AT 1 JULY 2014	thin 12 months er more than 12 months  Plant and Equipment \$'000  11,069	\$'000 611 (103) 130	597  13,848  13,848  -  13,848  Total \$'000  11,680  (5) 380	638 <b>12,055</b> 12,055
The balance comprises differences attributed and equipment Other Total deferred tax liabilities Deferred tax liabilities to be recovered with Deferred tax liabilities to be recovered after Total deferred tax liabilities Movements Consolidated AT 30 JUNE 2013 (Charged)/credited to: Provision Profit or loss AT 1 JULY 2014 (Charged)/credited to:	thin 12 months er more than 12 months  Plant and Equipment \$'000  11,069  98 250 11,417	\$'000 611 (103) 130 638	597 13,848 13,848 - 13,848  Total \$'000 11,680  (5) 380 12,055	638 <b>12,055</b> 12,055
NOTE 20. NON-CURRENT LIABILITIES –  The balance comprises differences attributed and equipment of the comprises of the comprise of the comprises of the comprise of the comprises of the comprise	thin 12 months er more than 12 months  Plant and Equipment \$'000  11,069	\$'000 611 (103) 130	597  13,848  13,848  -  13,848  Total \$'000  11,680  (5) 380	638 <b>12,055</b> 12,055

### **NOTE 21. CONTRIBUTED EQUITY**

Oudingsus aboves			0015	0014
Ordinary shares			2015	2014
Contributed equity –	number of shares		200,284,332	170,441,966
Contributed equity –	\$'000		142,108	128,601
b. Movements in o	rdinary share capital	Number of shares	Issue Price \$	\$'000
30 June 2013	Balance	170,441,966		128,601
	Movements during the year	-		-
30 June 2014	Balance	170,441,966		128,601
21 November 2014	Placement issue	25,566,294	0.47	12,016
3 February 2015	Placement issue	4,276,072	0.47	2,010
	Deferred tax previously recognised directly in equi	ty		223
	Less: Transactions costs arising on share issue			(742)
	Movement during the year	29,842,366		13,507
30 June 2015	Balance	200,284,332		142.108

### 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.



	2015	2014
Economic gearing ratio	\$'000	\$'000
Total secured borrowings	49,274	74,712
Less: asset backed leases and hire purchase facilities	(45,780)	(47,372)
Less: cash and cash equivalents	(20,702)	(13,808)
Net debt	(17,208)	13,532
Equity	220,289	198,041
Total capital	203,081	211,573
Economic gearing ratio	-8%	6%
Gearing ratio		
Total borrowings	72,412	92,888
Less: cash and cash equivalents	(20,702)	(13,808)
Net debt	51,710	79,080
Total equity	220,289	198,041
Total capital	271,999	277,121
		<u> </u>
Gearing ratio	19%	29%
Compliance with externally imposed capital requirements		
The Group has a secured debt financing facility agreement 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.		
f. Reserves		
<ol> <li>Share Option Reserve is used to recognise the grant date fair value of options issued to employees but not exercised.</li> </ol>		
Movements in reserves		
Share option reserve		
Balance 1 July	140	140
Options issued during the year	-	-
Balance 30 June	140	140
g. Retained earnings		
Movements in retained earnings		
Balance 1 July	69,300	61,135
Net profit for the year	8,741	8,165
Dividends and other equity distributions	-	· -
Balance 30 June	78,041	69,300

### **NOTE 22. DIVIDENDS**

### a. Dividends paid or payable

The Directors have determined not to pay a final dividend for the year ended 30 June 2015 (2014: Nil)

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	2015	2014
30 June 2015. (2014: Nil).	\$'000	\$'000
Franking credits available at the reporting date based on a tax rate of 30%	19,967	20,562
Franking credits that will arise from the payment of the amount of the provision for income	2,299	2,301
tax at the reporting date based on a tax rate of 30%		2,301
Franking credits available for subsequent financial years based on a tax rate of 30%	22,266	22,863
NOTE 23. EARNINGS PER SHARE		
NUTE 23. EARNINGS PER SHARE	2015	2014
	Cents	Cents
a. Basic earnings per share		
Profit from operations attributable to the ordinary equity holders of the Company	4.7	4.8
Profit attributable to the ordinary equity holders of the Company	4.7	4.8
b. Diluted earnings per share		
Profit from operations attributable to the ordinary equity holders of the Company	4.7	4.8
Profit attributable to the ordinary equity holders of the Company	4.7	4.8
	\$'000	\$'000
c. Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from operations	8,741	8,165
Profit attributable to the ordinary equity holders of the Company used in calculating	8,741	8,165
basic earnings per share	,	,
	Number	Number
d. Weighted average number of shares used as the denominator	Hambon	114111201
Basic earnings per share		
Weighted average number of shares used as the denominator in calculating basic	107.705.700	470 444 000
earnings per share	187,725,736	170,441,966
Diluted earnings per share		
Weighted average number of options outstanding	-	274,849
Weighted average number of shares and potential ordinary shares used as the	187 725 726	170,716,815
denominator in calculating diluted earnings per share	187,725,736	170,710,015

### **NOTE 24. FAIR VALUE MEASURMENT**

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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.

There were no options granted or held at any time during the 30 June 2015 financial year (2014: no options granted).

NOTE 26. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES	2015 \$'000	2014 \$'000
Key management personnel compensation		
Short term employee benefits	1,997	1,945
Post employment benefits	125	107
Termination benefits	-	-
	2,122	2,052
Aggregate amounts of each type of transactions with key management personnel of the Group		
Amounts recognised in expenses	2,616	2,869
Purchases and hire of equipment and services	886	867
Sales of Goods and Services	186	233
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	2	45
Current payables (purchases of goods and services) – Related parties	53	132

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

### **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

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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	2015	2014
Loans to related parties	\$'000	\$'000
Beginning of the year	9,736	9,594
Loans advanced	90	182
Loan repayments	(2,219)	(40)
Interest charged	589	698
Interest paid	(589)	(698)
End of the year	7,607	9,736

A loan of \$107,278 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 \$7,500,000 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 2015 (2014: Nil).



NOTE 28. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES		
UPERATING ACTIVITIES	2015 \$'000	2014 \$'000
Profit for the year	8,741	8,165
Adjusted for:	0,741	0,103
Depreciation and amortisation of non-current assets	11,687	12,005
Interest received	(826)	(933)
Interest paid	4,629	6,048
(Gain)/loss on disposal of property, plant and equipment	4,029	(5)
Impairment of debtors	(343)	(1,885)
Increase/(decrease) in capital raising costs tax effect	223	(1,003)
Effect of exchange rate changes on the balances	223	(1)
chect of exchange rate changes on the balances	-	(1)
Changes in assets		
(Increase)/decrease in trade debtors	(3,483)	15,228
(Increase)/decrease in other debtors	602	(2,533)
(Increase)/decrease in prepayments	3,161	4,529
(Increase)/decrease in inventory	(5,026)	1,682
(Increase)/decrease in WIP	(1,987)	(3,375)
(Increase)/decrease deferred tax assets	(405)	(35)
(Introduct)/ doctroduct deformed task doctro	(100)	(00)
Changes in liabilities		
Increase/(decrease) in trade payables	4,072	(5,040)
Increase/(decrease) in other creditors and accruals	1,019	1,466
Increase/(decrease) in other payables	2,675	(2,626)
Increase/(decrease) in employee provisions	2,036	95
Increase/(decrease) in deferred tax liability	1,793	228
Increase/(decrease) in income tax liability	1,588	(2,628)
Not each flow from encycting activities	20.157	20.205
Net cash flow from operating activities	30,157	30,385
NOTE 29. NON CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property plant and equipment by means of finance lease/hire purchase	1,938	290

NOTE 30. COMMITMENTS	2015	2014
	\$'000	\$'000
a. Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment	1,521	135
b. Lease commitments: Group as lessee		
Operating lease commitments are payable:		
– Within one year	6,960	9,167
– One year but not later than five years	19,479	23,407
– Greater than five years	15,199	14,745
Total lease liability	41,638	47,319
Consists of:		
– Cancellable operating lease	1,393	5,249
– Non cancellable operating lease	40,245	42,070
Total lease liability	41,638	47,319
Finance lease commitments are payable:		
– Within one year	15,418	22,060
- One year but not later than five years	37,693	30,407
– Greater than five years	-	
Minimum lease payment	53,111	52,467
Future finance charges	(7,331)	(5,094)
Total lease liability	45,780	47,373
Consists of:		
- Current	12,290	19,059
- Non-current	33,490	28,314
Total lease liability	45,780	47,373

### **Operating leases**

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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 2015 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.

Interest of participant: Global Construction Services Limited	2015 \$'000	2014 \$'000
Result of the parent entity		
Profit/(loss) for the year	(5,912)	14,102
Other comprehensive income	-	-
Total comprehensive profit/(loss) for the year	(5,912)	14,102
Financial position of the parent entity at year end Current assets	19,316	43,515
Non-current assets	122,137	103,014
Total assets	141,453	146,529
Current liabilities	(7,102)	(5,864)
Non-current liabilities	(12,927)	(26,836)
Total liabilities	(20,029)	(32,700)
Contributed equity	142,107	128,600
Reserves	140	140
Accumulated losses	(20,823)	(14,911)
Total equity	121,424	113,829

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

### **NOTE 31. PARENT ENTITY DISCLOSURES (continued)**

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As at 30 June 2015 the Company has no material contingent liabilities or contingent assets. The group's principal subsidiaries at 30 June 2015 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.

		Ownership interest hel	d by the group
Name of Entity	Place of business	2015	2014
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%
GCS Access Pty Ltd	Australia	100%	100%
GCS Budget Portables Pty Ltd	Australia	100%	100%
GCS Facades Pty Ltd	Australia	100%	0%
GCS Hire Pty Ltd	Australia	100%	100%
GCS Industrial Services Pty Ltd	Australia	100%	100%
GCS Integrated Services Pty Ltd	Australia	100%	0%
CGS Personnel Services Pty Ltd	Australia	100%	0%
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%
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%
Site Services Pty Ltd	Australia	100%	100%



### **NOTE 32. FINANCIAL RISK MANAGEMENT**

The Group's principal financial instruments comprise revolving cash advance and equipment finance facilities 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:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	20,702	13,808
Trade and other receivables	36,794	36,119
	57,496	49,927
Financial liabilities		
Trade and other payables	17,043	13,893
Borrowings	51,647	77,425
	68,690	91,318

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 2014.

### 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 2015, approximately 28% of the Group's total borrowings are at a fixed rate of interest (2014: 65%). The Group monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

### **NOTE 32. FINANCIAL RISK MANAGEMENT (continued)**

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

	2015		2014	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Financial assets				_
Cash and cash equivalents	1.45	20,702	2.40	13,808
Financial liabilities				
Borrowings	6.69	(37,968)	5.27	(27,340)
Net exposure to cash flow interest rate risk		(17,266)		(13,532)

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
2015		·		
Financial assets				
Cash and cash equivalents	1.45	20,702	-	20,702
Financial liabilities				
Borrowings	6.69	(10,163)	(27,805)	(37,968)
Total		10,539	(27,805)	(17,266)
2014				
Financial assets				
Cash and cash equivalents	2.40	13,808	-	13,808
Financial liabilities				
Borrowings	5.27	(2,000)	(25,340)	(27,340)
Total		11,808	(25,340)	(13,532)

### **Group sensitivity**

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As at 30 June 2014 and 2015, 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 of 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 2015.

The Group's range of customers is 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 2015 to the one customer is \$3.93m (2014: \$3.68m).

The ageing of the Group's past due but non-impaired trade receivables at the reporting date was:	2015 \$'000	2014 \$'000
Past due 0-30 days	8,046	6,471
Past due 31-90 days	3,171	1,771
More than 90 days	1,780	3,252
	12,997	11,494
The ageing of the Group's impaired trade receivables at the reporting date was:		
Past due 0-30 days	-	-
Past due 31-90 days	2	-
More than 90 days	366	666
	368	666
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	20,702	13,808
Counterparties without external credit rating which are neither past due nor impaired	15,660	14,153

### **NOTE 32. FINANCIAL RISK MANAGEMENT (continued)**

### 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.

	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Total Cashflow \$'000	Carrying amount \$'000
2015						
Borrowings	5,884	-	-	-	5,884	5,867
Hire purchase liabilities	15,418	14,430	23,263	-	53,111	45,780
Trade and other payables	16,885	158	-	-	17,043	17,043
	38,187	14,588	23,263	-	76,038	68,690
2014						
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	13,685	208	-	-	13,893	13,893
	41,873	43,809	12,593	-	98,275	91,319

### d. Fair value

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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.

	2015 \$'000	2014 \$'000
Audit services and reviews of financial statement	185	185
Non audit, advisory, tax compliance and other services	145	149
	330	334

### **NOTE 34. CONTINGENCIES**

As at 30 June 2015, 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 2015 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.





### The scope of works for GCS at Capital Square includes:

- Scaffold and Access Solutions;
- Concrete Pumping & Placement;
- Formwork;
- Plant and Equipment;
- Site Accommodation; and
- On-site Personnel.



### ASX ADDITIONAL INFORMATION

Additional information mandated to be included in this Annual Report by the Australian Securities Exchange Limited under ASX listing Rule 4.10 and not shown elsewhere in the report is as follows. The information is applicable as at 14 September 2015.

### **Ordinary share capital**

 $200,\!284,\!332$  fully paid ordinary shares were held by 1,226 individual shareholders. All issued ordinary shares carry one vote per share and the rights to dividends.

### Distribution of members and their holdings

Size of Holding	<b>Number of Holders</b>	<b>Ordinary Shares</b>
1 to 1,000	237	34,849
1,001 to 5,000	248	729,486
5,001 to 10,000	178	1,395,313
10,001 to 100,000	438	14,705,047
100,001 and over	125	183,419,637
	1,226	200,284,332

There were 239 holders of less than a marketable parcel of ordinary shares.

### **Substantial shareholders**

The number of shares held by substantial holders, as disclosed in the substantial shareholding notice given to the Company.

Shareholder	Number of Ordinary Shares
BCP III Australia LP	29,842,366
100F Holdings Limited	15,186,284

### **Twenty largest shareholders**

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Name	<b>Percentage of Issued Capital</b>	Number of Ordinary Shares Held
National Nominees Pty Ltd	24.02	48,098,430
Citicorp Nominees Pty Ltd	9.64	19,300,401
JP Morgan Nominees Australia Limited	4.26	8,539,936
Majicyl Pty Ltd	4.20	8,417,552
HSBC Custody Nominees (Australia) Limited	3.77	7,553,934
CASC Services Pty Ltd	3.14	6,297,612
Mr Vincenzo Daniele Gullotti	3.12	6,248,633
BNP Paribas Nominees Pty Ltd	2.92	5,854,829
Piperlake Pty Ltd	2.31	4,624,486
Kinetic Ventures Pty Ltd	1.82	3,650,000
Meadowview Investments Pty Ltd	1.77	3,543,874
Luform Pty Ltd	1.74	3,486,444
Citicorp Nominees Pty Ltd (CFS Investments)	1.69	3,378,165
Foshan Pty Ltd	1.59	3,187,268
Sujo Pty Ltd	1.59	3,187,268
Okelane Holdings Pty Ltd	1.53	3,058,514
RBC Investor Services Australia Nominees Pty Ltd	0.95	1,894,643
Skye Alba Pty Ltd	0.79	1,591,047
Contemplator Pty Ltd	0.78	1,559,375
Jaluza Pty Ltd	0.77	1,534,149

### CORPORATE DIRECTORY



### **Directors**

### **Peter Wade**

Non-Executive Chairman

### **Enzo Gullotti**

**Group Managing Director** 

### **Sam Mangione**

Non-Executive Director

### **George Chiari**

**Executive Director** 

### **Company Secretary**

**Gabriel Chiappini** 

### **Registered Office**

2 Redcliffe Road, Redcliffe WA 6104 T: +61 8 9479 7990 | F: +61 8 9479 7789 www.gcs-group.com.au

ACN: 104 662 259 | ABN: 81 104 662 259

### **Auditors**

BDO Audit (WA) Pty Ltd 38 Station Street, Subiaco WA 6008

### **Bankers**

Westpac Banking Corporation 109 St Georges Terrace, Perth WA 6000

### **Solicitors**

Herbert Smith Freehills QV1 Building, 250 St Georges Terrace, Perth WA 6000

### **Stock Exchange**

The Company's securities are quoted on the Official List of the Australian Securities Exchange Ltd, the home exchange being Australian Securities Exchange (Perth) Limited.

152-158 St Georges Terrace, Perth WA 6000

### **ASX Code**

GCS

### **Share Registry**

Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace, Perth WA 6000

Telephone: +61 8 9323 2000 1300 850 505 (within Australia)

For any change in personal details, please contact Computershare.

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CBD, the precinct is a fusion of world-class architecture and amenities.

The centrepiece of Brookfield Place is the premium-grade, 45-level office tower incorporating the latest in workplace design. Over 75,000m2 is leased by BHP Billiton as the anchor tenant. Brookfield Place is owned, managed and built by Brookfield and its subsidiaries. Construction was completed in 2013.

### The scope of works for GCS at Tower 1 included:

Scaffold and Access Solutions (300 tonne); Concrete Pumping & Placement (28,000m<sup>3</sup>); Window / Facade Installation (60,500m<sup>2</sup>); Formwork (50,000m<sup>2</sup>); Plant and Equipment; Site Accommodation; and On-site Personnel.



### TOWER 2

Brookfield Place Tower 2 is a bold new commercial development adjacent to Tower 1. The premium grade 16 level office tower will have approximately 34,000m² of net lettable area and will overlook the Swan River. The building is targeting a 5 Star Green Star Design rating and 5 Star NABERS base building energy rating.

### The scope of works for GCS at Tower 2 includes:

Scaffold and Access Solutions (200 tonne); Concrete Supply, Pumping, & Placement (15,000m³); Window / Facade Installation (13,500m²); Formwork (35,000m²); Plant and Equipment; Site Accommodation; and On-site Personnel.

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