

**Titan Energy Services Limited
and Controlled Entities
ACN 150 110 017**

**ASX Preliminary Final Report
For the year ended 30 June 2014**

This financial report is lodged with the Australian Securities Exchange (ASX) under Listing Rule 4.3A.

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**Appendix 4E – Preliminary Final Report for the Year ended 30 June 2014
(Previous corresponding reporting period: Year ended 30 June 2013)**

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information:	2014 \$'000	2013 \$'000	Change \$'000	Change %
Revenue from ordinary activities	97,369	72,904	24,465	33.6
Profit after tax from ordinary activities attributable to members	12,211	9,103	3,108	34.1
Profit attributable to members	12,211	9,103	3,108	34.1

DIVIDENDS PAID AND DECLARED

	Amount per security	Franked amount per security
Ordinary shares:		
2013 final – paid 6 September 2013	3.5c	3.5c
2014 interim – paid 7 March 2014	3.5c	3.5c
2014 final – declared 6 August 2014	4.0c	4.0c

Record date for determining entitlements to the final dividend:

Ordinary shares 15 August 2014

Explanation of key information and dividends:

Refer to the accompanying Directors' Report.

DIVIDEND REINVESTMENT PLAN

The Titan Energy Services Limited Dividend Reinvestment Plan (DRP) remains active in respect of the final dividend for the year ended 30 June 2014. The plan is open to all shareholders based in Australia and New Zealand. Shareholders from other countries can participate in the DRP, subject to board approval.

The issue price offered to eligible shareholders will be an amount equal to the volume weighted average price of the Company's shares sold during the ten trading days on and from the ex-dividend date, namely 13 August 2014, less a 5% discount.

Shareholders will have until 18 August 2014 to nominate participation in the DRP. The payment date is expected to be 16 September 2014.

COMMENTARY ON THE RESULTS FOR THE YEAR

The commentary on the results for the year is contained in the Review of Operations included within the Directors' Report.

STATUS OF AUDIT

The 30 June 2014 financial report and accompanying notes for Titan Energy Services Limited have been audited and are not subject to any disputes or qualifications.

NET TANGIBLE ASSETS PER SHARE

	30 June 2014	30 June 2013
Net tangible assets per share	\$0.88	\$0.66

**Titan Energy Services Limited
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DIRECTORS' REPORT**

Your directors present their report, together with the financial statements of the Group, being Titan Energy Services Limited (Titan, the Company) and its controlled entities, for the financial year ended 30 June 2014.

Directors

The following persons were directors of Titan Energy Services Limited during the whole of the year and up to the date of this report, unless otherwise stated:

Shaun Scott (Chairman)

Stephen Bizzell

Simon Keyser

Mark Snape

James Sturgess

Jim Diakogiannis

Principal Activities

The principal activities of the Group during the financial year were the provision of drilling, accommodation, logistics, catering and equipment rental services predominately to the coal seam gas and associated industries.

The following significant changes in the nature of the principal activities occurred during the financial year:

- In December 2013, the Group launched a start-up business, Base Transport and Logistics (Base Logistics), to provide water and waste transportation services to camps. The business is currently servicing five camps.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

Operating Results and Review of Operations for the Year

	Drill Rigs	Equipment Hire	Catering	Camps	Logistics	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2014						
Revenue						
Revenue from external customers	41,998	9,512	4,943	38,491	2,173	97,117
Inter-segment revenue	51	30	12,581	645	259	13,566
Total segment revenue	42,049	9,542	17,524	39,136	2,432	110,683
Segment result - EBIT	5,822	4,923	2,563	8,617	51	21,976
Unallocated:						
Net gain on disposal of property, plant and equipment						169
Depreciation						(66)
Corporate expenses						(3,577)
EBIT						18,502
Interest revenue						83
Interest expense and borrowing costs						(1,078)
Net profit before tax from continuing operations						17,507
Tax expense						(5,296)
Net profit after tax from continuing operations						12,211

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DIRECTORS' REPORT**

Review of Operations

Trading for the year ended 30 June 2014 has produced a strong result as the Group continues to grow and take advantage of the ongoing demand for services principally in the Queensland Coal Seam Gas (CSG) market.

Full year EBIT was \$18.5 million compared to the prior year of \$14.5 million. This represents growth in EBIT of 28%. Net profit after tax increased from \$9.1 million in the prior year to \$12.2 million; a 34% increase.

Highlights during the year ended 30 June 2014 (FY14) included:

- Nektar winning two permanent camp management and catering contracts with a combined room capacity of 400 rooms;
- Establishment of Base Logistics to take advantage of the water and waste haulage opportunities in and around the Surat Basin;
- Successful deployment of Atlas Rig 4 to a tier one contractor and the opportunity to purchase Rig 3 which was previously leased on a dry hire basis, at a cost equivalent to 20 month's rental; and
- Payment of the final FY13 and interim FY14 dividends of 3.5 cents per share each.

The Group has continued to ensure it maintains a strong financial position through the careful management of cashflow and debt levels. At year-end, Titan had \$8.7 million of net debt and gearing of 12% (gearing was 19% at 30 June 2013 and 16% at 31 December 2013).

The continuing success of the Group is attributable to the various teams within the business units and the support functions. This was acknowledged in early July 2014 with the inaugural Titan Conference and Awards where the top performers from all parts of the business were brought together and recognised for their outstanding performance. This recognition is part of the performance based culture including incentive structures that forms the basis of maintaining a high level of engagement for continued growth. At the end of June, Titan has grown to 300 staff, compared to 255 twelve months ago.

Titan is now in its third year of trading as an ASX listed company and it continues to diversify into new businesses and markets.

In December 2013, Titan established a water and waste haulage operation, Base Logistics, to take advantage of the ongoing demand from permanent and temporary camps in and around the Surat Basin for water delivery and waste disposal. Most of these camps are remote and not connected to town water or sewerage systems.

In addition to the Base Logistics business, the other business units in the Titan portfolio, which include Atlas (drilling), RCH (temporary camps), Nektar (camp management and catering) and Hofco (rental business), continue to expand in their respective markets.

Atlas is now in its seventh year of operation after being established in 2007. Overall, the business performed solidly, both in terms of quality of contract and profitability. During the financial year, the Atlas team deployed a new rig (4) aimed at providing a cost effective solution to clients for the initial drilling of wells. Rig 4 completed its initial contract ahead of schedule. In addition, the opportunity arose to purchase Rig 3, which was under a dry hire arrangement, from a third party. The rationale for the purchase was based on a 20 month payback when compared to the ongoing lease payments.

The RCH portable accommodation business has grown in capacity from 674 rooms at 30 June 2013 to 1,138 rooms at year end. The growth in capacity will allow RCH to take advantage of ongoing activity in the CSG sector. The trading results for the year were impacted by a number of delayed contract start dates throughout the second half of the financial year. However, these contracts are now in place and extend through the first half of the new financial year.

Nektar continues to grow, delivering 132,181 man days catered in FY14, up 111%. Nektar secured its first permanent camp contract in the first half of the year for 200 rooms. It has since secured a second permanent camp contract and is now building its capability in this sector which presents further growth opportunities. In conjunction with RCH, Nektar has appointed Business Development Managers in the Northern Territory and Western Australian markets as part of the Group strategy to expand into new geographic territories.

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Review of Operations (Continued)

Since the acquisition in March 2013, Hofco has invested heavily in its people, capacity and premises during the first half of the financial year. This investment has delivered solid growth in the second half of the year.

Titan will continue to identify further opportunities to grow both organically and by acquisition. With its existing brand presence and footprint, the Group is well placed to capitalise on the continuing activity that is expected to take place within the CSG-LNG industry over the next 20 plus years.

Safety

Safety remains a key focus of the Group and a number of initiatives have been put in place to improve the outcomes in this area.

Total Recordable Injury Frequency Rate (TRIFR), which expresses incidents per million hours worked, is the primary measure of safety performance for Titan and the wider industry. For the FY14 year, Group TRIFR was 11.4, down 32% on the prior year (FY13: 16.9) which is a strong outcome and the result of a renewed focus in this area.

An important initiative in this area was the appointment, in February, of leading safety consultants to assist the Group in changing and developing a safety culture that will be required for Titan to reach best practice in this field. The Group is approximately five months into an 18 month plan. The initial work with the safety consultants is already generating positive feedback from our employees and clients.

Oilfield Services

Atlas Drilling (Atlas)

Atlas owns and operates four production rigs. Market demand for drilling rigs is in line with the new well growth and there are a number of potential opportunities for extended and new contracts in the future.

The business recorded a strong profit for the year despite utilisation dropping to 78%, down from 91% in the prior year. Atlas management have focused on optimising the business over the course of the year which has delivered a positive outcome to the business financial performance.

In April 2014, Atlas entered into an agreement with a third party to purchase Rig 3. Atlas previously rented the rig on a dry hire arrangement. Total purchase price for the rig was \$5.5 million which represents an equivalent cost of 20 months rental. Management believe the purchase was opportunistic however further expansion in the number of production rigs is not planned for the near future.

Rigs 1 and 2 are currently on contract with a tier one contractor through to the end of August and November respectively. Rigs 3 and 4 are currently being marketed to a range of customers for a number of different projects and applications.

Atlas has now been operating in the CSG-LNG industry for seven years and has developed strong relationships with a stable of blue-chip clients.

Strategies to drive future growth include:

- Maintaining relationships with key clients;
- Retaining a full-time resource focusing on future contracts; and,
- Exploring opportunities in work over rigs.

During the year the business undertook a review of its structure. This led to a number of changes to key roles within the business and it is now ideally structured to maximise future opportunities. At the end of June, Atlas employed 110 staff.

Hofco Oil Field Services (Hofco)

Hofco was established in 1980 and is recognised as a leading supplier of specialist downhole equipment. Titan acquired the business in March 2013 and has heavily invested in people, facilities and fleet expansion since this time.

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Review of Operations (Continued)

Hofco provides specialised equipment that can be hired at daily rates for durations of one week to one year. Customers are responsible for replacing lost equipment and refurbishment costs, giving the business low maintenance and servicing overheads.

EBIT margin has declined in FY14 as a result of the investment noted above. In addition, Hofco extended its rental fleet by branching into the hiring of drill pipe. Initially this was via sub-hiring the equipment to test the market. However the business has since purchased its own drill pipe which will generate an improved margin.

During the year, Kerstine Plummer moved to a part time Business Development Manager role and Mark Leal was appointed as the General Manager. Mark has substantial experience in providing drilling services in the minerals market. At the end of June, Hofco employed nine staff.

Strategies to drive future growth include:

- Expansion of Hofco's down-hole tool rental range including adding drill pipe;
- Retaining Kerstine Plummer as a Business Development Manager to generate and support growth;
- Geographic and industry expansion including the minerals market; and
- Leveraging existing Titan Group clients.

Accommodation Services

Resources Camp Hire (RCH)

RCH provides portable temporary accommodation to remote projects and is currently mainly servicing the Queensland CSG industry.

Since acquisition in September 2011, room numbers have increased from 110 at acquisition to 1,138 at year-end (674 at June 2013). Contracts currently range from three to nine months, with a usual term of six months.

During the year, RCH has been contracted to provide a number of larger camps and currently has four camps in the field each ranging from 80 to 213 rooms. Camps of this size are logistically challenging but the in-house skills developed in its short history have allowed the business to deliver on its customers needs.

The movement to larger camps has impacted both rates and utilisation during the year. Customers have experienced delayed starts to their projects which have flowed through to RCH. In addition, customers have also looked for a bundling of products and services. These factors have resulted in a decline in room rate from \$125 per night at 30 June 2013 to \$109 per room per night at 30 June 2014.

During the year, Base Logistics commenced as a division of RCH but, as of July 2014, Base Logistics has been separated out and Darren Bishell, the previous General Manager of RCH, has been appointed as General Manager of the new business. Titan Group's Chief Financial Officer, David Thornton, will move into the General Manager role at RCH early in the new financial year once a replacement for his position commences.

At the end of June, RCH employed 42 staff.

Nektar Remote Hospitality (Nektar)

FY14 was the second full year of trading since Nektar's inception in March 2012. The business delivered a record EBIT in FY14 of \$2.6 million (30 June 2013: \$1.9 million).

The business currently has nine contracts including two permanent camps. Nektar won its first permanent camp contract in the first half of the year and has since won a second permanent contract. In total, this represents 400 permanent rooms and, importantly, provides the business with a demonstrated capability in this area. Nektar margins, though in line with expectations, are down on the prior period due to the higher volume permanent camp business.

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Review of Operations (Continued)

Strategies to drive future growth include:

- Expanding into new geographies and industry segments;
- Targeting temporary and permanent catering and camp management opportunities both alongside RCH and as a standalone offering; and
- Employment of Business Development Managers in Darwin and Perth to target these markets.

At the end of June, Nektar employed 121 staff covering chefs, camp attendants and support staff.

Financial Position

The Group is in a good position to fund future expansion as a result of generating another strong profit for FY14.

In September 2013, the Group increased its Capex facility by \$10 million to \$15 million with GE Commercial Corporation (Australia) Pty Ltd (GE) providing additional headroom to fund ongoing capital expenditure and new organic growth opportunities. The facility with GE, incorporating capital expenditure loans, term loans and working capital lines of credit, totals \$34.7 million. In addition, the Group established an operating lease facility of \$3 million with the Commonwealth Bank of Australia. At 30 June 2014, the Group has \$13.4 million available for capital expenditure and \$8.0 million in working capital headroom in addition to the \$4.2 million of cash on hand.

As a result of continued profit growth, the Group has generated strong cashflows from operations. Cashflow conversion for the year was 72.0% (30 June 2013: 50.4%). At 30 June 2014, the Group had \$4.2 million in cash resulting in net debt of \$8.7 million (30 June 2013: \$12.4 million including the Hofco deferred payment). The Group will continue to maintain a conservative debt position and expects cashflow from operations to remain strong into the new financial year.

Capital expenditure for the year totalled \$14.2 million with the emphasis toward business expansion. Of note, \$5.5 million (\$2 million in cash and \$3.2 million in scrip) was invested in purchasing Rig 3 which was previously under a dry hire agreement from a third party. The purchase price represented a 20 month payback on the annual lease cost. RCH invested \$3.4 million in building the camp fleet and Hofco purchased two drill strings to provide a new avenue of growth.

The Group's financial position at 30 June 2014 is strong. The operating businesses are well placed to take advantage of the continuing demand in the CSG industry and fund expansion into new geographic locations and product lines.

Future Developments, Prospects and Business Strategies

Future Prospects

The Titan Group is focused on delivering shareholder value and this philosophy will continue to drive the business strategy of creating a diversified group that is a leading supplier of equipment and services to the CSG and wider oil and gas industry. The commencement of Base Logistics in FY14 further evidences the Group's ability to identify new opportunities within the broader strategy scope.

The Group will continue to supply its target markets with:

- Safe and efficient work environments for our staff, contractors and customers;
- Highly competent teams and processes to deliver solutions to our customers' challenges; and
- Fit-for-purpose products and services that deliver reliable results.

The Group will continue to grow market prominence and share by focusing on:

- Safety outcomes and safe work environments;
- Providing our customers with safe and efficient equipment and business solutions;
- Growing and upgrading the rental fleet in our separate businesses in line with market requirements;
- Providing trained crews and expert advice across all our businesses; and
- Expanding into other services that complement the existing offering.

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Future Developments, Prospects and Business Strategies (Continued)

The existing businesses will continue to expand in response to demand from existing and new markets. Organic expansion opportunities include:

- New geographic regions including Western Australia, the Cooper Basin in South Australia and the Northern Territory;
- Additional contracts servicing permanent camps;
- Expanded rental fleet in Hofco; and
- Taking advantage of the water and waste haulage opportunities in and around the Surat Basin.

Titan will continue to make strategic acquisitions that will complement the existing businesses and management experience, with potential targets operating in our core market and other conventional and non-conventional oil and gas industries.

Titan will also continue to pursue organic opportunities to provide goods and services compatible to current offerings and where there is room to build a substantial business.

To significantly enhance the operational and financial performance of the Group, Titan is focused on planning, executing and managing all aspects of the business. To assist in driving these outcomes, Titan has implemented a number of initiatives linking remuneration to performance including short and long term incentives. In addition, the board and management team has a broad range of experience covering the operational and corporate requirements of the Titan Group. Titan continues to adhere to strong financial controls and disciplines to ensure important fiscal principles and stewardship of capital remain in place. These principles are intended to lead to consistency in operational performance, stronger than peer financial performance and, most importantly, increased value for our shareholders.

Material Business Risks

The material business risks faced by the Group that could potentially affect the financial prospects of the Group noted above and how the Group manages these risks include:

1. Industry Risks

- Customer demand and outlook for oil and gas industry from Australia

Titan's business depends on the level of activity in the CSG and oil and gas drilling industries. The levels of activity depend on a number of factors outside the control of the Group including global economic growth, continuing international demand and infrastructure constraints impacting on Titan's customers. Any long term decline in the demand for energy may result in a corresponding decline in the use of Titan's services which will have an impact on the financial performance and/or the financial position of Titan.

Titan is able to mitigate the impact of this risk through diversification into different industries such as minerals, infrastructure projects and new geographic regions.

- CSG specific regulatory and environmental risks

The level of public debate surrounding the environmental impacts of CSG continues to increase the risk of regulatory monitoring and approval. Changes to regulations and approval processes in the CSG industry may lead to decreased demand for the services of the Group, and as a result may have an adverse effect on the financial performance of the Group.

2. Operational Risks

- Adverse weather conditions

Titan's services are generally vulnerable to adverse weather conditions due to safety, access and machinery issues. The result may lead to increased operating costs, loss of revenue or equipment. The Group will mitigate these risks through a number of strategies including a diversity of businesses in a range of geographic locations, the company insurance programme and inclusion of limiting the financial impact in customer contracts.

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Future Developments, Prospects and Business Strategies (Continued)

- Accidents

In the performance of operations, accidents may occur, resulting in injury to the Group's employees and contractors as well as Company-owned or third party property. Further, environmental contamination could also result from an accident. Safety performance is very important to clients and as such, accidents may impact the ability of the Group to complete contracts and obtain new contracts in the future. This may have an adverse impact on the financial performance of the Group.

In order to mitigate the risks of accidents, the Group has implemented detailed training and occupational workplace and safety regimes and continuously monitors and enhances processes to improve outcomes in this area.

- Asset utilisation and productivity

Titan's financial performance is reliant on the utilisation and productivity of its key assets. Central to the Group achieving its objectives is ensuring that its rigs, accommodation and equipment rental assets achieve forecast utilisation. Any unscheduled downtime or periods where assets are uncontracted may have a material adverse impact on financial performance.

The Group is investing in systems and resources to minimise the impact of extended periods of asset downtime. These include extra business development roles, asset tracking systems and improved maintenance programmes.

- Contractual risk

The Group financial performance is reliant on the revenue produced from the utilisation and productivity of key assets. To ensure this is maximised, where possible the Group engages in fixed term contracts with its customers. To the extent third parties become insolvent or default on their obligations, it may be necessary to enforce the Company's rights under the contract. Most of the contracts entered into by the Group are able to be terminated by the customer with a short period of notice. Termination or failure to enforce contracted terms may impact the financial performance of the Group.

- Financing

Titan's growth is reliant on having sufficient finance and cashflow to fund asset and working capital requirements. The Group's core financing is currently with GE Commercial Corporation (Australia) Pty Ltd (GE). The facilities contain a variety of covenants with which Titan and its subsidiaries must comply. Whilst every effort will be made to comply with the covenants, in the event of a breach, GE may be entitled to call for repayment of the facilities. This will have a material adverse effect on the ability of Titan to continue operations.

3. Other Material Risks

- Environment risk

The Group operates in areas that are subject to State and Federal laws and regulations regarding environmental hazards. These laws and regulations set various standards and provide for penalties for violation of such standards.

Titan seeks to minimise these risks by providing appropriate training for staff and the correct equipment to minimise the impact of potential issues. In addition, the Group seeks to carry appropriate insurance coverage.

- Legislative changes

Changes in Government regulations and policies may adversely affect the financial performance of the current or proposed operations of the Group. Titan is not aware of any current or proposed material changes in relevant regulations or policy.

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Future Developments, Prospects and Business Strategies (Continued)

- Share market risk

The market price of shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resource services sector in particular. There are a number of factors that may affect the share market price that the Company cannot control.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

- In December 2013, the Group launched a start-up business, Base Logistics, to provide water and waste transportation services to remote camps. The business is currently servicing five camps in the Surat Basin.
- In May 2014, the Group acquired Rig 3, which had previously been leased, from a third party. The total purchase price for Rig 3 was \$5.5 million which represents an equivalent cost of 20 months rental.

Events after the Reporting Period

On 3 July 2014, the Group incorporated Base Transport and Logistics Pty Ltd as a 100% owned subsidiary of Titan Energy Services Limited. The new subsidiary company will be the vehicle through which the Group conducts its logistics business.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends

Titan paid the following dividends during the financial period:

	2014
	\$'000
• Final dividend in respect of the year ended 30 June 2013 of 3.5 cents per share fully franked on 6 September 2013	1,683
• Interim dividend in respect of the year ended 30 June 2014 of 3.5 cents per share fully franked on 7 March 2014	1,710

In addition to the above dividends, since the end of the financial year, the Company has declared a final dividend for 30 June 2014 of 4.0 cents per share fully franked. The final dividend is expected to be paid on 16 September 2014.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the Group does provide services to entities that are licenced or otherwise subject to conditions for the purposes of environmental legislation or regulation. In these instances, the Group undertakes its compliance duties in accordance with the contractor regime implemented by the licenced or regulated entity.

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Information on the Directors

Shaun Scott	Age 49. B.Bus, BA, ACA
Role	Independent Non-executive Chairman Appointed 27 October 2011
Experience	<p>Shaun is a Chartered Accountant with over 25 years of experience in upstream and downstream projects, mergers and acquisitions and finance in the energy sector in Australia, Asia, and the United States.</p> <p>Shaun is currently an Non-executive Director of ASX listed Dart Energy Ltd, Site Group International Ltd and Chairman of Anaeco Ltd. He was previously a Non-executive Director of ACER Energy Ltd and Buccaneer Energy Ltd.</p> <p>Shaun previously held the roles of Chief Executive Officer (Australia), Chief Commercial Officer and Chief Financial Officer with Arrow Energy Limited prior to its acquisition by Royal Dutch Shell plc and PetroChina in 2010. Prior to joining Arrow Energy Limited in 2004, Shaun held a variety of senior executive roles in the oil and gas industry.</p>
Special Responsibilities	Audit Committee, Risk and Safety Committee, Remuneration Committee (Chairman)
Interest in Shares and Options (direct and indirect)	Shares – 460,439 Options – Nil

Stephen Bizzell	Age 46. B.Comm, MAICD
Role	Non-executive Director Appointed 28 March 2011
Experience	<p>Stephen is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He is also a Non-executive Director of Armour Energy Ltd, Diversa Ltd, Hot Rock Ltd, Stanmore Coal Ltd and Queensland Treasury Corporation and Chairman of Laneway Resources Ltd and Renascor Resources Limited. He was previously a Non-executive director of Dart Energy Ltd, Bow Energy Ltd and Apollo Gas Ltd.</p> <p>Stephen was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for \$3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company.</p> <p>Stephen qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.</p>
Special Responsibilities	Audit Committee, Remuneration Committee
Interest in Shares and Options (direct and indirect)	Shares – 1,087,447 Options – 280,576

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Information on the Directors (Continued)

Simon Keyser	Age 46. B.Bus, ACA
Role	Non-executive Director Appointed 28 March 2011
Experience	<p>Simon has over 20 years experience in the finance industry including specialising in the resources and energy sectors. He is the co-owner of Ironstone Capital Partners Pty Ltd, a corporate advisory business. Simon is a director of XLX Pty Ltd, an investment company focussed on the resources and energy sectors. XLX is a major shareholder in Titan Energy Services Limited. Simon is also a director of Malabar Coal Ltd.</p> <p>Simon has held senior investment banking positions with Wilson HTM and Chase (now JPMorgan Chase) and has advised companies on capital raisings and mergers and acquisitions in Australia and Europe. Simon holds a B.Bus from the Queensland University of Technology, Grad Dip from FINSIA and is a Chartered Accountant.</p>
Special Responsibilities	Audit Committee (Chairman)
Interest in Shares and Options (direct and indirect)	<p>Shares – 580,855 Options – 280,576</p> <p>Simon Keyser owns 20% of XLX Pty Ltd and therefore will have a relevant interest in shares that XLX Pty Ltd has. XLX Pty Ltd will hold a relevant interest (as defined in the Corporations Act) in 4,575,971 shares, including shares under management and those shares in which Simon Keyser also has an interest.</p>

Mark Snape	Age 63. B.Ec, MBA, ACA, FAICD
Role	Independent Non-executive Director Appointed 18 October 2012
Experience	<p>Mark has considerable experience in the energy sector, large scale transport infrastructure development, risk management, public private partnerships and project financing.</p> <p>Mark has held various senior management positions including Chief Executive Officer Rivercity Motorway, Group General Manager – Infrastructure, Finance and Investment for John Holland, Managing Director in Australia for American Electric Power, Director of Deloitte Corporate Finance, Director of Country Natwest Corporate Finance and Director of BZW Corporate Finance. Mark is also a Non-executive Director of Whitehelm Capital Pty Limited and has previously held non-executive director positions for ASX-listed entities Connecteast Group, Brisconnections Group, and Pacific Hydro Limited.</p>
Special Responsibilities	Risk and Safety Committee (Chairman), Remuneration Committee
Interest in Shares and Options (direct and indirect)	<p>Shares – Nil Options - Nil</p>

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Information on the Directors (Continued)

James Sturgess	Age 51. B.Comm, FCA
Role	Managing Director Appointed 28 June 2011
Experience	<p>Jim was previously CEO of the City of Brisbane Investment Corporation – a start up role to establish Brisbane's future fund. Prior to this, Jim was CFO and then Executive General Manager at Flight Centre Limited, a global travel company. Jim is a former director of the Australian Federation of Travel Agents. His experience in recent years has been on start-up and growth companies including acquisitions, integration, culture and leadership.</p> <p>Jim has worked at Starwood Hotels and Resorts in a number of roles including Finance Director and Director of Human Resources. He has also held senior positions at Ernst & Young in Brisbane, Sydney, Melbourne and Vancouver, Canada.</p> <p>Aside from his leadership skills, Jim brings to the Company extensive experience in marketing and branding.</p>
Special Responsibilities	Nil
Interest in Shares and Options (direct and indirect)	<p>Shares – 687,640</p> <p>Performance Rights – 26,000</p>

Jim Diakogiannis	Age 45. B.Eng, B.Sc
Role	Executive Director Appointed 27 October 2011
Experience	<p>Jim is a co-founder of Atlas Drilling and has 20 years experience in the oil and gas industry in Australia. Jim's specialties are in the area of drilling, completion and production engineering and he has been involved in the CSG sector since 2001.</p> <p>Jim has held various positions in a number of large and small operating companies during his career including Santos, Inland Oil Refiners, Oil Company of Australia, Origin Energy and Blue Energy and has been involved in the drilling service sector since the formation of Atlas Drilling in 2007.</p>
Special Responsibilities	Risk and Safety Committee
Interest in Shares and Options (direct and indirect)	<p>Shares – 439,798</p> <p>Performance Rights – 20,500</p>

Company Secretary

The Company Secretary is David Thornton – B-Bus, CPA, MAICD.

David was appointed as Company Secretary of Titan Energy Services Limited on 27 October 2011. He has worked in senior finance roles including most recently as CFO of The Bradnam Group and APN News and Media, Regional Publishing. David is also the CFO of the Group.

**Titan Energy Services Limited
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DIRECTORS' REPORT**

Meetings of Directors

During the financial year, 25 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Risk and Safety Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Shaun Scott	16	16	3	3	3	3	3	3
Stephen Bizzell	16	16	3	3	-	-	3	3
Simon Keyser	16	16	3	3	-	-	-	-
Mark Snape	16	15	-	-	3	3	3	3
James Sturgess	16	16	-	-	-	-	-	-
Jim Diakogiannis	16	15	-	-	3	3	-	-

Indemnifying Officers

During or since the end of the financial year, the Group paid insurance premiums of \$17,305 to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Options

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

	Grant Date	Options/ Performance Rights	Number under Option	Exercise Price of Options	Expiry Date
Directors of the Company	4 Nov 2011	Options	561,152	\$1.11	7 Dec 2015
	19 Dec 2012	Performance Rights ¹	23,250	-	30 Jun 2014
	19 Dec 2012	Performance Rights	23,250	-	30 Jun 2015
Key Management Personnel	12 Aug 2013	Performance Rights ²	20,500	-	12 Aug 2014
Other	4 Nov 2011	Options	280,576	\$1.11	7 Dec 2015
	12 Aug 2013	Performance Rights ²	323,000	-	12 Aug 2014
	16 Aug 2013	Performance Rights	37,500	-	30 Jun 2015
	16 Aug 2013	Performance Rights	37,500	-	30 Jun 2016

**Titan Energy Services Limited
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DIRECTORS' REPORT**

Options (Continued)

- (1) 23,250 performance rights issued to the directors of the Company on 19 December 2012 vested on 30 June 2014. These performance rights will be converted to ordinary shares within 30 days of the Audited Financial Statements of the Group being completed.
- (2) Performance rights issued to key management personnel and other personnel on 12 August 2013 vest only if the personnel remain in the employment of the Company on the date of completion of the Audited Financial Statements of the Group. Where this condition has been fulfilled, the performance rights will be converted to ordinary shares within 30 days of the Audited Financial Statements of the Group being completed. Where this condition has not been fulfilled, the performance rights will lapse.

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

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

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report on page 21 of the Directors' Report.

During the year ended 30 June 2014, the following ordinary shares of Titan Energy Services Limited were issued on the exercise of options granted:

	Grant Date	Exercise Price	Number of Shares Issued
Directors - Options	4 Nov 2011	\$1.11	350,719
Directors – Performance Rights	4 Nov 2011	-	297,500
Directors – Performance Rights	19 Dec 2012	-	23,250
Directors – Performance Rights	23 Oct 2013	-	2,655
KMP – Performance Rights	4 Nov 2011	-	160,000
KMP – Performance Rights	19 Apr 2013	-	20,500
KMP – Performance Rights	23 Oct 2013	-	2,500
Other Personnel – Performance Rights	4 Nov 2011	-	80,000
Other Personnel – Performance Rights	19 Apr 2013	-	228,750
Other Personnel – Performance Rights	12 Aug 2013	-	24,000
Other Personnel – Performance Rights	16 Aug 2013	-	112,500
Other Personnel – Performance Rights	23 Oct 2013	-	1,250

No further shares have been issued since the end of the financial year. No amounts are unpaid on any of the shares issued.

Proceedings on Behalf of the Company

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

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

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DIRECTORS' REPORT

Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

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

The following fees were paid or payable to PKF Hacketts Audit and its related practices for non-audit services provided during the year ended 30 June 2014:

	\$
Taxation services	42,400

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 25 for the year ended 30 June 2014.

ASIC Class Order 98/100 Rounding of Amounts

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

REMUNERATION REPORT - AUDITED

Remuneration Policy

The remuneration policy of Titan Energy Services Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short and long-term incentives based on key performance areas affecting the Group's financial results. The Board of Titan Energy Services Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board;
- All executive KMP receive a base salary (which is based on factors such as experience and market rates of pay), superannuation, fringe benefits, performance rights and performance incentives;
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met;
- Incentives paid in the form of options or rights are intended to align the interests of the directors and Company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means; and
- The remuneration committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to reward KMP for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits.

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DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (CONTINUED)

Remuneration Policy (Continued)

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align KMPs' interests with shareholders' interests. Options and performance rights granted under the arrangement do not carry dividend or voting rights. Each option and performance right is entitled to be converted into one ordinary share once the hurdles have been met and is valued using the Black-Scholes or Monte Carlo methodologies.

All remuneration paid to KMP is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Current remuneration for non-executive directors is as follows:

	Fees including superannuation
Chairman	\$65,000
Non-Executive Director	\$40,000

In addition to the base fees, from 1 July 2013, committee members are entitled to the following fees:

Committee Chairman	\$7,500
Committee Non-Executive Director Member	\$5,000

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals before the KPIs are set for the following year.

In determining whether or not a financial KPI has been achieved, Titan Energy Services Limited bases the assessment on audited figures.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options and performance rights to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy has been effective in increasing shareholder wealth over the past year.

The following table shows the gross revenue, profits and dividends for the last three years for the listed entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits as well as an increase in dividends paid to shareholders. The improvement in the Company's performance over the last 12 months has been reflected in the Company's share price with an increase year on year. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past 12 months.

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DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (CONTINUED)

Relationship between Remuneration Policy and Company Performance (Continued)

		2014	2013	2012
Revenue	\$'000	97,369	72,904	33,500
Net profit after tax	\$'000	12,211	9,103	2,270
Share price at year-end	\$ per share	2.02	1.39	0.68
Dividends declared	Cents per share	7.5	5.5	2.0

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of earnings targets, KPIs, and continued employment with the Group.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Employment Details of Members of Key Management Personnel

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

	Position Held as at 30 June 2014 and any Change during the Year	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration Not Related to Performance	
		Non-salary Cash-based Incentives ¹	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total
Group KMP		%	%	%	%	%
James Sturgess	Managing Director	20%	0%	6%	74%	100%
Jim Diakogiannis	Executive Director	16%	0%	5%	79%	100%
David Thornton	CFO	13%	0%	8%	79%	100%
Gus van der Heide	COO	14%	0%	6%	80%	100%

- (1) Based on meeting performance targets agreed by the Board. Should targets be exceeded, KMP will be entitled to an additional incentive of up to 50% of base salary. Total KMP incentive is subject to Board review.

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DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (CONTINUED)

Employment Details of Members of Key Management Personnel (Continued)

The employment terms and conditions of KMP are formalised in contracts of employment. Key terms of the contract are as follows:

KMP	Contract Duration	Notice Period	Termination Payments
James Sturgess	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan to James Sturgess six months James Sturgess to Titan four months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan
Jim Diakogiannis	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan or Jim Diakogiannis to give three months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan
David Thornton	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan or David Thornton to give three months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan
Gus van der Heide	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan or Gus van der Heide to give three months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan

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DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED (CONTINUED)

Remuneration Details for the Year Ended 30 June 2014

The following table of benefits and payments details, in respect to the 2014 and 2013 financial years, the components of remuneration for each director and member of KMP of the Group. The amounts have been calculated in accordance with Australian Accounting Standards.

Name	Year	Salary and Fees ¹	Cash Bonus ²	Post Employment Benefits Super ³	Share Based Payments Options/ PR's ⁴	Total
		\$	\$	\$	\$	\$
Directors						
Shaun Scott Chairman	2013	59,633	-	5,367	30,728	95,728
	2014	75,650	-	6,998	-	82,648
Stephen Bizzell Director	2013	40,000	-	-	24,583	64,583
	2014	50,000	-	-	-	50,000
Simon Keyser Director	2013	40,000	-	-	24,583	64,583
	2014	47,500	-	-	-	47,500
Mark Snape Director	2013	25,876	-	2,329	-	28,205
	2014	48,140	-	4,453	-	52,593
James Sturgess Managing Director	2013	310,838	237,690	24,994	67,148	640,670
	2014	334,270	97,027	25,862	28,109	485,268
Jim Diakogiannis Executive Director	2013	284,405	101,165	39,378	20,161	445,109
	2014	295,904	66,906	25,000	18,316	406,126
Wayne Seabrook Former Director ⁵	2013	13,333	-	-	24,583	37,916
Other KMP						
Gus van der Heide Chief Operating Officer	2013	290,000	141,387	43,059	38,735	513,181
	2014	302,964	63,264	41,162	24,577	431,967
David Thornton Chief Financial Officer	2013	203,000	115,275	17,109	38,735	374,119
	2014	225,066	38,905	16,659	24,577	305,207
Total Benefits and Payments	2013	1,267,085	595,517	132,236	269,256	2,264,094
	2014	1,379,494	266,102	120,134	95,579	1,861,309

- (1) Salary and director's fees may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Directors and executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pays are reviewed annually to ensure the rate is competitive with the market.
- (2) A portion of the KMP pay is by way of an at risk bonus. This is subject to satisfactory completion of set predominantly profit-related KPIs and payable at the discretion of the board. Amounts included in the table relate to performance for that year.

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DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

Remuneration Details for the Year Ended 30 June 2014 (Continued)

- (3) Post-employment benefits consist of statutory superannuation which was calculated as 9.25% of the base pay. Stephen Bizzell and Simon Keyser's superannuation components are included in the director's fees and are paid on receipt of invoice by Titan Energy Services Limited. There are no other retirement benefits paid by Titan Energy Services Limited.
- (4) Option and performance rights values have been determined using the Black-Scholes and Monte Carlo methods.
- (5) Wayne Seabrook resigned from the board of directors on 18 October 2012.

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities which are not performance-based as part of their remuneration package.

Share-based Payments

Options

The terms and conditions relating to the options are detailed on page 14 of the Directors' Report. Movements during the year are as follows:

	Balance at Beginning of Year	Issued During the Year	Exercised During the Year	Lapsed During the Year	Other Changes During the Year	Balance at End of Year
Shaun Scott Chairman	350,719	-	(350,719)	-	-	-
Stephen Bizzell Director	280,576	-	-	-	-	280,576
Simon Keyser Director	280,576	-	-	-	-	280,576
Total	911,871	-	(350,719)	-	-	561,152

Performance Rights

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

	Balance at Beginning of Year	Issued During the Year ³	Vested During the Year ⁴	Lapsed During the Year	Other Changes During the Year	Balance at End of Year
James Sturgess CEO – Titan ¹	153,500	5,310	(100,655)	(45,155)	-	13,000
Jim Diakogiannis Executive Director ¹	148,000	2,655	(95,250)	(45,155)	-	10,250
Gus van der Heide COO ²	40,000	12,750	(31,500)	(21,250)	-	-
David Thornton CFO ²	40,000	12,750	(31,500)	(21,250)	-	-
Total	381,500	33,465	(258,905)	(132,810)	-	23,250

Titan Energy Services Limited
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DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

Share-based Payments (Continued)

Performance Rights (Continued)

- (1) In a prior financial year, the executive directors were each issued 255,000 performance rights which are split as follows:

- a) 127,500 performance rights divided into three (3) equal tranches of 42,500 performance rights each for the first three years of employment vesting when business unit or Group profit targets are met.

The tranches issued to executive directors in respect of the 30 June 2014 financial year have lapsed as the Board has determined that performance targets have not been met.

- b) 127,500 performance rights divided into three (3) equal tranches of 42,500 performance rights based on the ten day volume weighted average price (VWAP) exceeding:
- a. \$1.76
 - b. \$2.06
 - c. \$2.35

The first share price target was met during the prior financial year resulting in the conversion of 85,000 performance rights in July 2013. The remaining share price targets were met during the current financial year and, accordingly, a further 170,000 performance rights were converted to ordinary shares.

- (2) In a prior financial year, other KMP were each issued 120,000 performance rights each which are split as follows:

- a) 60,000 Performance Rights divided into three (3) equal tranches of 20,000 performance rights each for the first three years of employment vesting when business unit or Group profit targets are met.

The tranches issued to other KMP in respect of the 30 June 2014 financial year have lapsed as the Board has determined that performance targets have not been met.

- b) 60,000 performance rights divided into three (3) equal tranches of 20,000 performance rights based on the ten day VWAP exceeding:
- a. \$1.50
 - b. \$1.75
 - c. \$2.00

The first two share price targets were met during the prior financial year and, accordingly, 80,000 performance rights vested at 30 June 2013 and were converted to ordinary shares in July 2013. The remaining share price target was met during the current financial year and, a further 40,000 performance rights were converted to ordinary shares.

- (3) In October 2013, the executive directors were issued an additional 7,965 performance rights in total to adjust their entitlements for the dilutive effect of the rights issue undertaken by the Company in March 2013. The performance rights were split as follows:

- a) 2,655 vesting on attainment of business unit or Group profit targets for the year ended 30 June 2013;
- b) 5,310 vesting on attainment of business unit or Group profit targets for the year ended 30 June 2014.

The Board has determined that profit targets for the year ended 30 June 2013 were met and accordingly, 2,500 performance rights vested. The tranches issued in respect of the current financial year have lapsed.

On the same date, other KMP were each issued an additional 2,500 performance rights to adjust their entitlements for the dilutive effect of the rights issue undertaken by the Company in March 2013. The performance rights were split into two (2) equal tranches of 1,250 vesting as follows:

- a) On attainment of business unit or Group profit targets for the year ended 30 June 2013.
- b) On attainment of business unit or Group profit targets for the year ended 30 June 2014.

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DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED (CONTINUED)

Share-based Payments (Continued)

Performance Rights (Continued)

The Board has determined that profit targets for the year ended 30 June 2013 were met and accordingly, 2,500 performance rights vested. The tranches issued in respect of the current financial year have lapsed.

During the financial year, other KMP were also each issued 10,250 performance rights each under the Company's Long Term Incentive Plan (LTI Plan). These performance rights will be converted to ordinary shares within 30 days of the Audited Financial Statements of the Group being completed.

- (4) Total performance rights vested during the year includes 43,750 performance rights to which KMP are entitled under the Company's LTI Plan. Both KMP and certain other staff of the Company are eligible to participate in the Company's LTI Plan. These performance rights will be converted to ordinary shares within 30 days of the Audited Financial Statements of the Group being completed. All other performance rights that have vested during the financial year have been converted to ordinary shares.

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

KMP Shareholdings

The number of ordinary shares in Titan Energy Services Limited held by each KMP of the Group during the financial year is as follows:

	Balance at Beginning of Year	Issued on Exercise of Options during the Year	Issued on Vesting of Performance Rights during the Year	Other Changes during the Year	Balance at End of Year
30 June 2014					
Shaun Scott	905,673	350,719	-	(795,953)	460,439
Stephen Bizzell	2,365,610	-	-	(1,278,163)	1,087,447
Simon Keyser	580,855	-	-	-	580,855
Mark Snape	-	-	-	-	-
James Sturgess	501,985	-	185,655	-	687,640
Jim Diakogiannis	1,327,048	-	137,750	(1,025,000)	439,798
David Thornton	72,506	-	91,500	2,179	166,185
Gus van der Heide	42,619	-	91,500	-	134,119
Total	5,796,296	350,719	506,405	(3,096,937)	3,556,483

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above relating to options, performance rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no transactions conducted between the Group and KMP or their related parties that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

**Titan Energy Services Limited
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DIRECTORS' REPORT**

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'J Sturgess', is positioned above a horizontal line.

James Sturgess

Director

Dated: 6 August 2014

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
TITAN ENERGY SERVICES LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

PKF HACKETTS

PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 6 August 2014

Titan Energy Services Limited
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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2014**

	Note	Consolidated Group	
		2014	2013
		\$'000	\$'000
Revenue	2	97,369	72,904
Expenses			
Drilling and consumables		(6,534)	(10,330)
Camp expenses		(13,214)	(10,648)
Logistics expenses		(1,577)	-
Catering expenses		(4,868)	(1,883)
Hire expenses		(2,554)	(244)
Depreciation and amortisation expense		(5,041)	(4,378)
Employee benefits expense		(34,912)	(26,075)
Travel and accommodation		(1,634)	(288)
Motor vehicle lease and maintenance		(994)	(290)
Finance costs		(1,078)	(1,448)
Administration and other expenses		(7,456)	(3,994)
Profit before income tax	3	17,507	13,326
Income tax expense	4	(5,296)	(4,223)
Profit for the period		12,211	9,103
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		12,211	9,103
Profit attributable to members of the parent entity		12,211	9,103
Total comprehensive income attributable to members of the parent entity		12,211	9,103
Earnings per share			
From continuing operations:			
• basic earnings per share (cents)	19	24.31	21.63
• diluted earnings per share (cents)	19	23.92	21.37

The accompanying notes form part of these financial statements

Titan Energy Services Limited
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**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	Consolidated Group	
		2014	2013
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	4,258	6,641
Trade and other receivables	7	16,078	14,879
Inventories	8	3,069	1,936
Total current assets		23,405	23,456
Non-current assets			
Property, plant and equipment	9	48,268	39,625
Deferred tax assets	13	446	1,472
Intangible assets	10	20,412	20,412
Total non-current assets		69,126	61,509
Total assets		92,531	84,965
LIABILITIES			
Current liabilities			
Trade and other payables	11	10,070	15,322
Borrowings	12	4,304	3,635
Current tax liabilities	13	797	3,263
Provisions	14	802	502
Other current liabilities	15	2,122	684
Total current liabilities		18,095	23,406
Non-current liabilities			
Borrowings	12	8,611	9,579
Provisions	14	216	199
Total non-current liabilities		8,827	9,778
Total liabilities		26,922	33,184
NET ASSETS		65,609	51,781
EQUITY			
Issued capital	16	45,761	40,758
Reserves	17	856	849
Retained earnings		18,992	10,174
TOTAL EQUITY		65,609	51,781

The accompanying notes form part of these financial statements.

Titan Energy Services Limited
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2014**

Consolidated Group	Note	Ordinary Share Capital \$'000	Retained Earnings \$'000	Share Based Payments Reserve \$'000	Total \$'000
Balance at 1 July 2012		22,571	2,157	325	25,053
Comprehensive income					
Profit for the year		-	9,103	-	9,103
Total comprehensive income for the full year		-	9,103	-	9,103
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs and tax		18,187	-	-	18,187
Dividends paid		-	(1,161)	-	(1,161)
Performance rights and options lapsed		-	75	(75)	-
Performance rights and options		-	-	599	599
Total transactions with owners and other transfers		18,187	(1,086)	524	17,625
Balance at 30 June 2013		40,758	10,174	849	51,781
Comprehensive income					
Profit for the year		-	12,211	-	12,211
Total comprehensive income for the full year		-	12,211	-	12,211
Transactions with owners, in their capacity as owners, and other transfers					
Acquisition of assets via share-based payment	16	3,218	-	-	3,218
Contributions of equity on exercise of options	16	389	-	-	389
Dividends paid	18	-	(3,393)	-	(3,393)
Dividend reinvestment plan	18	513	-	-	513
Performance rights and options converted	17	920	-	(920)	-
Performance rights and options granted	17	-	-	927	927
Transaction costs	16	(37)	-	-	(37)
Total transactions with owners and other transfers		5,003	(3,393)	7	1,617
Balance at 30 June 2014		45,761	18,992	856	65,609

The accompanying notes form part of these financial statements.

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2014**

	Note	Consolidated Group 2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		108,186	74,819
Payments to suppliers and employees (inclusive of GST)		(83,493)	(60,799)
Interest received		83	265
Finance costs		(1,078)	(1,448)
Income tax payment		(6,737)	(3,512)
Net cash provided by operating activities	25	<u>16,961</u>	<u>9,325</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant, property and equipment		(11,030)	(9,698)
Proceeds from disposal of plant, property and equipment		388	389
Payment for acquisition of subsidiary	11	(5,812)	(15,113)
Net cash used in investing activities		<u>(16,454)</u>	<u>(24,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment of) / proceeds from borrowings		(362)	3,772
Proceeds from exercise of options		389	-
Proceeds from issue of shares		513	18,824
Capital raising costs paid		(37)	(1,116)
Dividends paid		(3,393)	(1,161)
Net cash (used in)/provided by financing activities		<u>(2,890)</u>	<u>20,319</u>
Net increase/(decrease) in cash held		<u>(2,383)</u>	<u>5,222</u>
Cash and cash equivalents at beginning of year		6,641	1,419
Cash and cash equivalents at end of year	6	<u><u>4,258</u></u>	<u><u>6,641</u></u>

The accompanying notes form part of these financial statements.

**Titan Energy Services Limited
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

These consolidated financial statements and notes represent those of Titan Energy Services Limited (the Company) and its Controlled Entities (the Group).

Titan Energy Services Limited is a public company incorporated and domiciled in Australia. The Company was incorporated on 28 March 2011, and listed on the Australian Securities Exchange on 7 December 2011.

The separate financial statements of the parent entity, Titan Energy Services Limited, have not been presented within the financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 6 August 2014 by the directors of the Company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied except in relation to the method of depreciation used for one of the Group's subsidiaries, Titan Plant Logistics Pty Ltd. During the year, the subsidiary changed its method of depreciation from straight line to the units of production method. This is consistent with the method used by other Group entities holding operational assets. The change in methodology resulted in a reduction in depreciation expense for the year of \$647,127.

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

a) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Titan Energy Services Limited, and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21.

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Principles of Consolidation (Continued)

Business Combinations

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

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

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

All transaction costs (with the exception of stamp duty) incurred in relation to business combinations are expensed to the statement of comprehensive income.

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

Goodwill

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

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition date fair value of any previously held equity interest;

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

The acquisition date fair value of the consideration transferred for a business combination shall form the cost of the investment in the separate financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment.

b) Income Tax

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Income Tax (Continued)

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

Tax Consolidation Legislation

Titan Energy Services Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 23 September 2011.

The head entity, Titan Energy Services Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed at Note 4.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised in equity as a contribution to (or distribution from) wholly-owned tax consolidated entities.

c) Property, Plant and Equipment

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

Property

The Group held no property during the year.

**Titan Energy Services Limited
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, Plant and Equipment (Continued)

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in either profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all motor vehicles and plant and equipment is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciable amount of drill rigs, camps and rental assets are depreciated on a unit of production basis, with usage calculated by the actual number of days in use.

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

Class of Fixed Asset	Depreciation Rate
Drill Rigs	10%
Camps	10%
Motor Vehicles	15 – 30%
Plant and Equipment	10 – 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Leases

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

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

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

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

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

e) Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (Continued)

Classification and Subsequent Measurement (Continued)

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

(i) Financial Assets at Fair Value Through Profit or Loss

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

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Financial Liabilities

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

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Instruments (Continued)

De-recognition

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

f) Impairment of Assets

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

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g) Foreign Currency Transactions and Balances

Functional and Presentation Currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and Balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Employee Benefits

Short-Term Employee Benefits

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

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

Other Long-Term Employee Benefits

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

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

Retirement Benefit Obligations

Defined Contribution Superannuation Benefits

All employees of the Group receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Equity-Settled Compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payments reserve. The fair value of options is determined using the Black-Scholes pricing model. The fair value of performance rights issued is determined using the Monte Carlo method.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Employee Benefits (Continued)

Equity-Settled Compensation (Continued)

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

The employee share ownership plan is administered by the Titan Equity Plan trust (Trust). When options and performance rights are exercised, the Trust transfers the appropriate number of shares to the employee. Any proceeds received, net of directly attributable costs, are credited directly to equity.

i) Provisions

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

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

j) Cash and Cash Equivalents

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

k) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

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

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

l) Trade and Other Receivables

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

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

m) Inventories

Inventory includes goods available for sale, and material and spare parts to be used in constructing and maintaining the assets held by the Group, as well as stock held for the provision of catering services. Inventories are valued at the lower of cost and net realisable value.

Net realisable value of items expected to be consumed, for example used in the construction of another asset, is the net value expected to be earned through future use.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Trade and Other Payables

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

o) Unearned Revenue

Revenue received in advance is deferred and recognised as a current liability. Unearned revenue is recognised as revenue in the statement of comprehensive income when the service or event to which the revenue relates has occurred.

p) Borrowing Costs

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

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

q) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a material retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

s) Rounding of Amounts

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

t) New and Amended Accounting Policies Adopted by the Group

Consolidated Financial Statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013.

- AASB 10: *Consolidated Financial Statements*;
- AASB 12: *Disclosure of Interests in Other Entities*; and
- AASB 127: *Separate Financial Statements*.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) New and Amended Accounting Policies Adopted by the Group (Continued)

Consolidated Financial Statements (Continued)

AASB 10 provides a revised definition of 'control' and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements. The application of the Accounting Standards has had no impact on the financial statements of the Group.

Employee Benefits

The Group adopted AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 108: *Accounting Policies Changes in Accounting Estimates and Errors* and the transitional provisions of AASB 119. The application of these standards has had no impact on the financial statements of the Group.

u) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

(i) Impairment – General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) Estimated Useful Lives of Property, Plant and Equipment

The Group's management determines the useful lives and related depreciation charges for items of property, plant and equipment. Management estimate the useful lives of the Group's assets based on their experience with similar assets in the industry. Management monitor the useful lives of the assets and will adjust the depreciation charge where the estimated useful lives are revised.

(iii) Performance Rights

The Group determines the amount to be posted to the share based payments reserve based on management's best estimate of employees that will meet their performance objectives for the year. The value of performance rights are determined based on several variables, including the estimated number of employees that will meet their performance targets. The value of performance rights could change materially if the number of employees that meet their performance targets differs significantly from management's estimates.

v) New Accounting Standards for Application in Future Periods

The AASB has issued the following new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) New Accounting Standards for Application in Future Periods (Continued)

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The adoption of AASB 9 is not expected to significantly impact the Group's financial statements.

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

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

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

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

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

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

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 2: REVENUE AND OTHER INCOME		
From Continuing Operations		
<i>Sales Revenue by Segment:</i>		
Drill rigs	41,998	35,361
Camps	38,491	33,642
Logistics	2,173	-
Catering	4,943	4
Equipment hire	9,512	3,432
	<u>97,117</u>	<u>72,439</u>
<i>Sundry Revenue:</i>		
Interest revenue	83	265
	<u>83</u>	<u>265</u>
<i>Other Income:</i>		
Net gain on disposal of property, plant and equipment	169	200
	<u>169</u>	<u>200</u>
	<u>97,369</u>	<u>72,904</u>
Total revenue and other income from continuing operations	<u>97,369</u>	<u>72,904</u>

NOTE 3: PROFIT FOR THE YEAR

Profit before income tax from continuing operations includes the following specific expenses:

• Depreciation	5,041	4,378
• Amortisation of borrowing costs	62	33
• Rental expense on operating leases	8,881	4,922
• Finance costs	1,078	1,448

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 4: INCOME TAX EXPENSE		
a) The components of tax expense comprise:		
Current tax	4,383	4,689
Deferred tax	895	(452)
Under-provision in respect of prior years	18	(14)
	<u>5,296</u>	<u>4,223</u>
b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit from ordinary activities before income tax	17,507	13,326
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	5,252	3,998
Add tax effect of:		
• Other non-allowable items	22	5
• Employee share issues expensed during year	-	24
• Performance rights expensed during year	278	210
• Under / (over) provision for income tax in prior year	18	(14)
	<u>5,570</u>	<u>4,223</u>
Less tax effect of:		
• Deductible employee share scheme contributions	(274)	-
Income tax attributable to entity	<u>5,296</u>	<u>4,223</u>
The applicable weighted average effective tax rates are as follows	<u>30.25%</u>	<u>31.69%</u>

Tax Consolidation

(i) Members of the Tax Consolidated Group and the Tax Sharing Arrangement

Titan Energy Services Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 23 September 2011. Titan Energy Services Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4: INCOME TAX EXPENSE (CONTINUED)

Tax Consolidation (Continued)

(ii) Tax Effect Accounting by Members of the Tax Consolidated Group

Measurement Method Adopted Under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB112 Income Taxes. The nature of the tax funding agreement is discussed further below.

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

Nature of the Tax Funding Agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the Group is based on the stand-alone taxpayer approach. The tax funding agreement requires payment to / from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

NOTE 5: OPERATING SEGMENTS

a) Description of Segments

The Group has determined the operating segments based on the internal reports reviewed by the Board of Directors that are used to make strategic decisions.

The following segments have been identified by the Group:

Drill Rigs

Atlas Drilling Co Pty Ltd (Atlas) currently owns and operates four production rigs. During the financial year, all four rigs have been contracted for the provision of drilling services. As at the date of this report, two of the rigs are on contract with a tier one contractor. Rigs 3 and 4 are currently being marketed to customers.

The rig packages are self contained and include drilling rigs, drill pipe, tanks, generators, offices and accommodation. Staff work on a roster basis. Meals and accommodation are provided whilst on roster.

Atlas currently has 110 staff.

Equipment Hire

Hofco is a provider of specialist downhole rental equipment to the Queensland CSG and wider oil and gas industries throughout Australia and currently has customers in Queensland, Northern Territory and South Australia. At 30 June 2014, Hofco had nine staff.

Catering

Nektar provides catering and camp management services to remote sites. The business is currently servicing nine major contracts and has catered 132,181 man days through to the end of June 2014. At 30 June 2014, Nektar had 121 staff including chefs, camp attendants and support staff.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5: OPERATING SEGMENTS (CONTINUED)

Camps

Resources Camp Hire (RCH) is a portable camp hire business. The camps are self contained units utilising shipping containers. The containers are designed for frequent transportation and are purpose built for remote applications. RCH was initially focused on CSG drilling clients. However, since acquisition by the Group, it has extended its customer base to include road, civil and construction industries.

Over the course of the year, RCH has grown its capacity by 68.8% to 1,138 rooms from 674 rooms at 30 June 2013. Over the same period, camp utilisation averaged 71%. Contracts currently range from three to nine months, with a usual term of six months.

Logistics

Base Logistics is a start-up business that was launched by the Group in December 2013 to provide water and waste transportation services to camps. The business currently services five camps utilising two trucks that are owned and four trucks that are leased. At 30 June 2014, Base Logistics had eight staff.

b) Segment Information Provided to the Board of Directors

(i) Segment Performance

	Drill Rigs \$'000	Equipment Hire \$'000	Catering ¹ \$'000	Camps \$'000	Logistics \$'000	Total \$'000
Year ended 30 June 2014						
Revenue						
Revenue from external customers	41,998	9,512	4,943	38,491	2,173	97,117
Inter-segment revenue	51	30	12,581	645	259	13,566
Total segment revenue	42,049	9,542	17,524	39,136	2,432	110,683
Segment result - EBIT	5,822	4,923	2,563	8,617	51	21,976
Unallocated:						
Net gain on disposal of property, plant & equipment						169
Depreciation						(66)
Corporate expenses						(3,577)
EBIT						18,502
Interest revenue						83
Interest expense and borrowing costs						(1,078)
Net profit before tax from continuing operations						17,507
Tax expense						(5,296)
Net profit after tax from continuing operations						12,211

(1) Nektar Remote Hospitality provided services to third parties through Resources Camp Hire (RCH) and Atlas Drilling (Atlas). Where RCH and Atlas hold the third party contracts, catering revenue is included in these segments.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5: OPERATING SEGMENTS (CONTINUED)

b) Segment Information Provided to the Board of Directors (Continued)

(i) Segment Performance (Continued)

	Drill Rigs	Equipment Hire	Catering	Camps	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2013					
Revenue					
Revenue from external customers	35,361	3,432	4	33,642	72,439
Inter-segment revenue	50	191	8,551	298	9,090
Total segment revenue	35,411	3,623	8,555	33,940	81,529
Segment result - EBIT	4,168	2,781	1,927	9,016	17,892

Unallocated:

Net gain on disposal of property, plant & equipment	200
Depreciation	(14)
Corporate expenses	(3,569)
EBIT	14,509
Interest revenue	265
Interest expense and borrowing costs	(1,448)
Net profit before tax from continuing operations	13,326
Tax expense	(4,223)
Net profit after tax from continuing operations	9,103

(ii) Segment Assets and Liabilities

	Drill Rigs	Equipment Hire	Catering	Camps	Logistics	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2014						
Segment assets	28,029	10,408	2,036	30,885	712	72,070
Unallocated assets						20,461
Closing balance 30 June 2014						92,531
Segment liabilities	3,677	1,084	1,857	5,524	340	12,482
Unallocated liabilities						14,440
Closing balance 30 June 2014						26,922

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5: OPERATING SEGMENTS (CONTINUED)

b) Segment Information Provided to the Board of Directors (Continued)

(ii) Segment Assets and Liabilities (Continued)

	Drill Rigs	Equipment Hire	Catering	Camps	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2013					
Segment assets	26,855	9,789	2,102	27,043	65,789
Unallocated assets					19,176
Closing balance 30 June 2013					84,965
Segment liabilities	14,311	1,005	786	20,283	36,385
Unallocated liabilities					3,201
Closing balance 30 June 2013					33,184

(iii) Other Segment Information

	Drill Rigs	Equipment Hire	Catering	Camps	Logistics	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2014						
Acquisitions of property, plant and equipment, intangibles, and other non- current segment assets	8,720	1,612	346	3,172	229	14,079
Unallocated assets						169
						14,248
Depreciation and amortisation expense	2,967	307	86	1,532	83	4,975
Unallocated depreciation						66
						5,041

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5: OPERATING SEGMENTS (CONTINUED)

b) Segment Information Provided to the Board of Directors (Continued)

(iii) Other Segment Information (Continued)

	Drill Rigs	Equipment Hire	Catering	Camps	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As At 30 June 2013					
Acquisitions of property, plant and equipment, intangibles, and other non-current segment assets	5,883	483	17	3,112	9,495
Unallocated assets					203
					9,698
Depreciation and amortisation expense	2,326	166	3	1,869	4,364
Unallocated depreciation					14
					4,378

(iv) Geographical Information

The Group operates in one geographical segment, being Australia.

(v) Major Customers

The Group has a number of major customers to whom it provides both products and services. The Group supplies three external customers in the drill rigs and camps segments who account for approximately 75% of external revenue.

	Consolidated Group	
	2014	2013
	\$'000	\$'000

NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank and on hand ¹	4,258	6,641
Total cash and cash equivalents	4,258	6,641

(1) On 30 June 2014, the Group transferred cash of \$914,000 to the Titan Equity Plan Trust (the Trust). The Trust was established by the Group during the financial year to facilitate the provision of shares under the Company's equity based compensation plans. As at 30 June 2014, no shares had been issued from the Trust and the Trustee was holding all funds transferred as cash at bank. While this cash is available for the Group to use to satisfy its obligations under the plans, it is not refundable from the Trust and not available to be used for any other purpose.

Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	4,258	6,641
	4,258	6,641

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6: CASH AND CASH EQUIVALENTS (CONTINUED)

Risk Exposure

The Group's exposure to interest rate risk is discussed in Note 27. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 7: TRADE AND OTHER RECEIVABLES		
Trade receivables	11,422	12,284
Provision for doubtful debts	(30)	(49)
Other receivables	882	244
Accrued revenue	3,076	2,019
Deposits paid	81	70
Prepayments	647	311
Total trade and other receivables	<u>16,078</u>	<u>14,879</u>

Credit Risk

The Group currently has significant contracts with a tier one contractor. The exposure to the contractor has been assessed with the residual risk not considered significant as the counter party is considered to be of high credit quality and the terms of business are covered by appropriate contracts.

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

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

	Gross Amount \$'000	Past Due and Impaired \$'000	Within Initial Trade Terms < 30 days \$'000	Within Initial Trade Terms < 45 days \$'000	Past Due but (Days Overdue) 31-60 \$'000	Not Impaired >61 days \$'000
2014						
Trade and term receivables	11,422	-	8,707	-	1,915	800
Total	<u>11,422</u>	<u>-</u>	<u>8,707</u>	<u>-</u>	<u>1,915</u>	<u>800</u>
2013						
Trade and term receivables	12,284	-	10,294	1,406	325	259
Total	<u>12,284</u>	<u>-</u>	<u>10,294</u>	<u>1,406</u>	<u>325</u>	<u>259</u>

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NOTE 7: TRADE AND OTHER RECEIVABLES (CONTINUED)

Credit Risk (Continued)

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

	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 8: INVENTORIES		
Spare parts and stores	3,169	1,936
Provision for obsolescence	(100)	-
Total inventories	<u>3,069</u>	<u>1,936</u>

NOTE 9: PLANT AND EQUIPMENT

Drill Rigs

At cost	28,441	21,004
Accumulated depreciation	(8,192)	(5,817)
	<u>20,249</u>	<u>15,187</u>

Camps

At cost	23,261	20,530
Accumulated depreciation	(5,324)	(3,794)
	<u>17,937</u>	<u>16,736</u>

Motor Vehicles

At cost	3,649	2,500
Accumulated depreciation	(1,859)	(1,459)
	<u>1,790</u>	<u>1,041</u>

Plant and Equipment

At cost	9,686	7,346
Accumulated depreciation	(1,394)	(685)
	<u>8,292</u>	<u>6,661</u>
Total plant and equipment	<u>48,268</u>	<u>39,625</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9: PLANT AND EQUIPMENT (CONTINUED)

a) Movements in Carrying Amounts

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

	Drill Rigs	Camps	Motor Vehicles	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	11,387	15,702	1,104	321	28,514
Acquisition of subsidiary	-	-	96	5,883	5,979
Additions	5,640	2,967	253	838	9,698
Disposals – written-down value	(43)	-	(45)	(100)	(188)
Depreciation expense	(1,797)	(1,933)	(368)	(280)	(4,378)
Carrying amount at 30 June 2013	15,187	16,736	1,040	6,662	39,625
Additions	7,943	2,765	796	2,745	14,249
Reclassification ¹	(481)	-	378	(265)	(368)
Disposals – written-down value	-	(25)	-	(172)	(197)
Depreciation expense	(2,400)	(1,539)	(424)	(678)	(5,041)
Carrying amount at 30 June 2014	20,249	17,937	1,790	8,292	48,268

(1) Single shot survey kits, multi-shot survey kits and gyro survey kits previously classified as plant and equipment have been reclassified as inventory items.

Capital spares previously classified as drill rig assets have been reclassified as inventory items.

Motor vehicles and items of plant and equipment previously classified as drill rig assets have been reclassified to motor vehicles and plant and equipment respectively.

b) Non-cash Acquisition of Property, Plant and Equipment

On 6 May 2014, the Group completed the acquisition of Atlas Rig 3, which had been leased, from the third party lessor for cash consideration of \$2.3 million and scrip consideration of \$3.2 million. The scrip consideration was satisfied by the issue of 1,539,952 fully paid ordinary shares in the Company at an issue price of \$2.09 per share. Refer to Note 16.

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	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 10: INTANGIBLE ASSETS		
Goodwill		
Cost	20,412	20,412
Accumulated impairment losses	-	-
Net carrying amount	<u>20,412</u>	<u>20,412</u>
Balance at the beginning of the year	20,412	5,276
Acquisitions through business combinations	-	15,136
Balance at the end of the year	<u>20,412</u>	<u>20,412</u>

Impairment Disclosures

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

Camps	5,276	5,276
Equipment hire	15,136	15,136
Total	<u>20,412</u>	<u>20,412</u>

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period with the period extending beyond one year extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a five year government bond, adjusted for specific risks relating to the relevant segments in which they operate, at the beginning of the budget period.

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

	Growth Rate	Discount Rate
Camps	2% - 10%	18.60%
Equipment hire	3% - 5%	18.60%

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

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	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 11: TRADE AND OTHER PAYABLES		
Trade payables	7,020	6,061
Other creditors	2,600	3,112
Deferred consideration – Hofco acquisition	-	5,812
GST payable	450	337
Total trade and other payables	<u>10,070</u>	<u>15,322</u>
NOTE 12: BORROWINGS		
Current		
Bank loan – secured	4,370	3,684
Borrowing costs	(66)	(49)
Total current borrowings	<u>4,304</u>	<u>3,635</u>
Non-current		
Bank loan – secured	8,765	9,742
Borrowing costs	(154)	(163)
Total non-current borrowings	<u>8,611</u>	<u>9,579</u>
Total borrowings	<u>12,915</u>	<u>13,214</u>

A facility agreement has been entered into between the Company and GE Commercial Corporation (Australia) Pty Ltd (GE) with the following facilities available:

- \$11,745,000 Term Loan, fully drawn, extending until October 2017. The balance outstanding at 30 June 2014 is \$7,951,536. The amount of the Term Loan repaid as at 30 June 2014 (\$3,793,464) is not available to be re-drawn.
- \$15,000,000 Capex Facility, partially drawn, extending until October 2017. The balance outstanding at 30 June 2014 is \$4,533,516.
- \$8,000,000 Revolving Facility, partially drawn, extending until October 2017. The balance outstanding at 30 June 2014 is \$649,501.

Loans provided under the facility with GE are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

In June 2014, the Company entered into an agreement with the Commonwealth Bank of Australia for the provision of a \$3,000,000 Asset Finance Facility. This facility was undrawn at 30 June 2014.

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Consolidated Group

2014 2013
\$'000 \$'000

NOTE 13: TAX

Current

Income tax payable	797	3,263
Total current income tax payable	<u>797</u>	<u>3,263</u>

Non-current

	Opening Balance	Under / (Over) Provision	Additions through Business Combinations	Charged to Income	Charged Directly to Equity	Closing Balance
	\$'000		\$'000	\$'000	\$'000	\$'000
Consolidated Group						
Deferred tax liability						
Property plant and equipment:						
• Tax allowances	29	-	-	(9)	-	20
Balance at 30 June 2013	<u>29</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>20</u>
Property plant and equipment:						
• Tax allowances	20	5	-	561	-	586
Balance at 30 June 2014	<u>20</u>	<u>5</u>	<u>-</u>	<u>561</u>	<u>-</u>	<u>586</u>
Deferred tax assets						
Provisions	265	-	69	607	-	941
Transaction costs on equity issue	368	-	-	(151)	303	520
Other	44	-	-	(13)	-	31
Balance at 30 June 2013	<u>677</u>	<u>-</u>	<u>69</u>	<u>443</u>	<u>303</u>	<u>1,492</u>
Provisions	941	(126)	-	(173)	-	642
Transaction costs on equity issue	520	-	-	(151)	-	369
Other	31	-	-	(10)	-	21
Balance at 30 June 2014	<u>1,492</u>	<u>(126)</u>	<u>-</u>	<u>(334)</u>	<u>-</u>	<u>1,032</u>

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Consolidated Group

2014 2013
\$'000 \$'000

NOTE 13: TAX (CONTINUED)

Set-off of Tax

Deferred tax asset	1,032	1,492
Deferred tax liability	(586)	(20)
Net tax asset	446	1,472

NOTE 14: PROVISIONS

Provision for employee entitlements - Current	802	502
Provision for employee entitlements - Non-current	216	199
Total provisions	1,018	701

NOTE 15: OTHER CURRENT LIABILITIES

Unearned revenue	2,122	684
Total other current liabilities	2,122	684

	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000

NOTE 16: ISSUED CAPITAL

a) Issued Capital

Ordinary shares – fully paid	50,585,915	47,512,077	45,761	40,758
Total issued capital	50,585,915	47,512,077	45,761	40,758

Ordinary Shares

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

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

Ordinary shares have no par value, and the Company does not have a limited amount of authorised share capital.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16: ISSUED CAPITAL (CONTINUED)

b) Movements in Ordinary Share Capital during the Year

Date	Details	Note	#	Issue Price	\$'000
01 Jul 2013	Opening balance		47,512,077		40,758
08 Jul 2013	Performance rights	(i)	162,500	\$0.07	12
12 Jul 2013	Performance rights	(i)	42,500	\$0.07	3
07 Aug 2013	Performance rights	(i)	102,500	\$1.00	103
12 Aug 2013	Performance rights	(i)	249,250	\$1.67	416
15 Aug 2013	Performance rights	(i)	23,250	\$1.63	38
26 Aug 2013	Performance rights	(i)	230,000	\$0.07	16
27 Aug 2013	Performance rights	(i)	37,500	\$2.21	83
06 Sep 2013	Dividend reinvestment plan	(ii)	75,193	\$2.52	190
11 Oct 2013	Performance rights	(i)	37,500	\$2.31	87
28 Oct 2013	Performance rights	(i)	37,500	\$2.42	90
28 Oct 2013	Performance rights	(i)	6,405	\$3.39	22
04 Nov 2013	Options converted	(iii)	350,719	\$1.11	389
06 Mar 2014	Dividend reinvestment plan	(iv)	155,069	\$2.08	323
09 May 2014	Asset acquisition	(v)	1,539,952	\$2.09	3,218
06 Jun 2014	Performance rights	(i)	24,000	\$2.08	50
					45,798
	Transaction costs arising on share issue, net of deferred tax				(37)
			50,585,915		45,761

- i) During the year 952,905 ordinary shares were issued in accordance with the Company's Performance Rights Plan.
- ii) On 6 September 2013, 75,193 ordinary shares were issued under the Company's Dividend Reinvestment Plan at \$2.52 per share. The shares were issued in settlement of the 3.5c final dividend for the year ended 30 June 2013 in relation to 5,416,760 securities.
- iii) On 4 November 2013, 350,719 options with exercise price of \$1.11 were converted to ordinary shares.
- iv) On 6 March 2014, 155,069 ordinary shares were issued under the Company's Dividend Reinvestment Plan at \$2.08 per share. The shares were issued in settlement of the 3.5c interim dividend for the year ended 30 June 2014 in relation to 9,218,045 securities.
- v) On 9 May 2014, the Company issued 1,539,952 ordinary shares to Pangaea Drilling Pty Ltd as the scrip component of the consideration for the acquisition of Atlas Rig 3. The combined cash and scrip consideration for the acquisition totalled \$5.5 million.

c) Options

For information relating to share options issued to key management personnel, refer to Note 26.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 16: ISSUED CAPITAL (CONTINUED)

d) Capital Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

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

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

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Titan Energy Services Limited has complied with the financial covenants of its borrowing facilities during the 2014 reporting period.

	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 17: RESERVES		
Share Based Payments Reserve		
Balance at 1 July	849	325
Option expense	-	104
Options lapsed	-	(69)
Performance rights expense	927	594
Performance rights granted	(920)	(99)
Performance rights lapsed	-	(6)
Balance at 30 June	<u>856</u>	<u>849</u>

The share based payments reserve is used to recognise:

- The grant date fair value of options issued to employees but not exercised.
- The grant date fair value of performance rights attaching to shares not yet issued.

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**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 18: DIVIDENDS		
a) Ordinary Shares		
Fully franked final dividend for the year ended 30 June 2013 – 3.5 cents per share (30 June 2012 – 2.0 cents per share)	1,683	572
Fully franked interim dividend for the year ended 30 June 2014 – 3.5 cents per share (30 June 2013 – 2.0 cents per share)	1,710	589
	<u>3,393</u>	<u>1,161</u>
Paid in cash	2,880	645
Satisfied under the Dividend Reinvestment Plan	513	516
	<u>3,393</u>	<u>1,161</u>

b) Dividends not Recognised at the end of the Reporting Period

Since year end, the directors have declared the payment of a final dividend of 4.0 cents per fully paid ordinary share (2013: 3.5 cents), fully franked based on tax paid at 30%. The aggregate of the declared dividend expected to be paid on 16 September 2014 out of retained earnings at 30 June 2014, but not recognised as a liability at year end is:

2,023	1,696
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c) Franked Dividends

The franked portion of the final dividend declared after 30 June 2014 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2014.

	Parent entity	
	2014	2013
	\$'000	\$'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2013 – 30%)	13,316	10,811

The above amount represents the balance of the franking account as at the end of the reporting period adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The financial effect of the dividend referred to at b) above has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Cents	2013 Cents
NOTE 19: EARNINGS PER SHARE		
a) Basic Earnings Per Share ¹		
From continuing operations attributable to the ordinary equity holders of the Company	24.31	21.63
Total basic earnings per share attributable to the ordinary equity holders of the Company	24.31	21.63
b) Diluted Earnings Per Share ¹		
From continuing operations attributable to the ordinary equity holders of the Company	23.92	21.37
Total diluted earnings per share attributable to the ordinary equity holders of the Company	23.92	21.37
⁽¹⁾ EPS previously reported at 30 June 2013 has been retrospectively adjusted to reflect the impact of the shares issued during the current year that, if in existence at 30 June 2013, would have impacted the EPS calculation, per the requirements of AASB133 (FP) <i>Earnings Per Share</i> .		
c) Reconciliation of Earnings Used in Calculating Earnings Per Share	\$'000	\$'000
Basic Earnings per Share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	12,211	9,103
Diluted Earnings per Share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	12,211	9,103
d) Weighted Average Number of Shares Used as the Denominator	Number of Shares	Number of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	50,239,885	42,076,467
Adjustments for calculation of diluted earnings per share:		
• Options	479,439	150,224
• Performance rights	331,264	376,330
Weighted average number of ordinary shares and potential ordinary share used as the denominator in calculating diluted earnings per share	51,050,588	42,603,021

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 20: RELATED PARTY TRANSACTIONS

a) Related Parties

The Group's main related parties are as follows:

(i) Key Management Personnel

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

For details of disclosures relating to key management personnel, refer to Note 22.

(ii) Other Related Parties

Other related parties include entities over which key management personnel have joint control.

b) Transactions with Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The Company entered into an agreement with Ironstone Capital Pty Ltd, an entity associated with Mr Simon Keyser, a director of the Company, for the provision of corporate advisory services in relation to projects under consideration by the Company. The Company paid Ironstone Capital Pty Ltd \$47,250 during the year in relation to these services.

NOTE 21: INTERESTS IN SUBSIDIARIES

Information about Principal Subsidiaries

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

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		30 June 2014	30 June 2013
Atlas Drilling Co Pty Ltd	Australia	100%	100%
Titan Plant Logistics Pty Ltd	Australia	100%	100%
Titan Resources Camp Hire Pty Ltd	Australia	100%	100%
Nektar Remote Hospitality Pty Ltd	Australia	100%	100%
Atlas Drilling Services Pty Ltd	Australia	100%	100%
Hofco Oil Field Services Pty Ltd	Australia	100%	100%
Base Hospitality Pty Ltd	Australia	100%	-
Hofco Services Pty Ltd	Australia	100%	-
Titan Equity Plan Trust	Australia	100%	-

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

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NOTE 22: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report on page 20 for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

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

	2014	2013
	\$'000	\$'000
Short-term employee benefits	1,646	1,863
Post-employment benefits	120	132
Share-based payments	95	269
Total KMP compensation	<u>1,861</u>	<u>2,264</u>

	Consolidated Group	
	2014	2013
	\$	\$

NOTE 23: AUDITOR'S REMUNERATION

Remuneration of the auditor for:

• Auditing or reviewing the financial statements	122,500	96,750
• Taxation services provided by related practice of auditor	42,400	11,550

NOTE 24: CAPITAL AND LEASING COMMITMENTS

a) Operating Lease Commitments

Payable – minimum lease payments:

• Within one year	7,865	8,720
• Later than one year but not later than five years	15,295	14,724
• Later than five years	249	-
	<u>23,409</u>	<u>23,444</u>

The Group has entered into an agreement with the lessor of the Group's former corporate office at 1/170 Montague Road, South Brisbane, and a sub-lessee to sub-lease the premises at Montague Road to the sub-lessee for the remaining term of the lease. The head lease between the Group and lessor will expire on 14 January 2016. The sub-leasing agreement was finalised between the parties on 27 February 2014 at an initial annual rental amount of \$85,000 subject to review on the anniversary date of the head lease.

The sub-leasing agreement will reduce the Group's operating lease commitments by \$86,581 within one year and by \$47,289 later than one year but not later than five years. The reduction in operating lease commitments as a result of the sub-leasing agreement is not reflected in the minimum lease payment disclosed above. Any shortfall between the rent payable under the head lease and the rent receivable under the sub-lease remains a commitment of the Group.

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 24: CAPITAL AND LEASING COMMITMENTS (CONTINUED)

b) Capital Expenditure Commitments

In June 2014, the Group entered into a contract to purchase rostering and time and attendance software for \$38,275. This commitment will be settled during the year ended 30 June 2015.

In April 2014, the Group entered into an arrangement with BMW Premium Funding to provide insurance premium funding covering the renewal of Group insurance policies for the insurance year ended 17 April 2015. At 30 June 2014, the Group was committed to make \$476,710 (2013: \$366,217) in payments under this arrangement.

	Consolidated Group	
	2014	2013
	\$'000	\$'000
NOTE 25: CASH FLOW INFORMATION		
a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	12,211	9,103
Non-cash flows in profit:		
• Depreciation	5,041	4,378
• Amortisation of borrowing costs	62	-
• Net gain on disposal of property, plant and equipment	(169)	(200)
• Share based payments	927	777
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
• Change in trade and term receivables	(1,199)	(6,365)
• Change in stock	(788)	(602)
• Change in trade payables and other creditors	1,999	1,116
• Change in income taxes payable	(2,465)	1,155
• Change in deferred tax balances	1,025	(452)
• Change in provisions	317	415
Cash flow from operations	<u>16,961</u>	<u>9,325</u>
b) Loan Facilities		
Loan facilities	37,745	24,745
Amount utilised	(13,135)	(13,426)
Amounts unavailable to be re-drawn	(3,793)	(1,466)
Total available loan facility	<u>20,817</u>	<u>9,853</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 25: CASH FLOW INFORMATION (CONTINUED)

b) Loan Facilities (Continued)

A facility agreement has been entered into between the Company and GE Commercial Corporation (Australia) Pty Ltd with the following facilities available:

- \$11,745,000 Term Loan, fully drawn, extending until October 2017. The balance outstanding at 30 June 2014 is \$7,951,536. The amount of the Term Loan repaid as at 30 June 2014 (\$3,793,464) is not available to be re-drawn.
- \$15,000,000 Capex Facility, partially drawn, extending until October 2017. The balance outstanding at 30 June 2014 is \$4,533,516.
- \$8,000,000 Revolving Facility, partially drawn, extending until October 2017. The balance outstanding at 30 June 2014 is \$649,501.

Loans provided under this facility are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

In June 2014, the Company entered into an agreement with the Commonwealth Bank of Australia for the provision of a \$3,000,000 Asset Finance Facility. This facility was undrawn at 30 June 2014.

NOTE 26: SHARE-BASED PAYMENTS

a) Non-executive Directors

The non-executive directors of Titan Energy Services Limited during the financial year are as follows:

Shaun Scott

Stephen Bizzell

Simon Keyser

Mark Snape

Options

In a prior financial year the non-executive directors were issued with options with the following key conditions attached:

- (i) The options were issued for nil consideration.
- (ii) The commencement date for the exercise of the options is 7 December 2012.
- (iii) Unexercised options will expire on the earlier of:
 - Three years after the commencement date;
 - The business day after the expiration of three months after the option holder ceases to be a director of Titan Energy Services Limited or such other period as determined by the Board of Directors; or
 - The date on which the option holder ceases to be a director of Titan Energy Services Limited due to fraud or dishonesty.
- (iv) The exercise price is \$1.11. The exercise price for the options was reduced following a rights issue as per the Employee Share and Option Plan rules.
- (v) Option holders do not have the right to participate in new issues of securities or dividends.

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NOTE 26: SHARE-BASED PAYMENTS (CONTINUED)

a) Non-executive Directors (Continued)

Options (Continued)

	Number	Weighted Average Exercise Price
Options outstanding at June 2013	911,871	1.11
Exercised during the year	350,719	1.11
Options outstanding at June 2014	561,152	1.11

The options hold no voting or dividend rights and have not been listed.

The options were fully vested in a prior financial year and, as a result, no amount was included under employee benefits expense in the statement of comprehensive income in relation to the options for the year ended 30 June 2014 (2013: \$104,475). The values ascribed to the options were calculated using the Black-Scholes option pricing model applying the following inputs.

Expected share price volatility:	44.9%
Risk-free interest rate:	3.89%
Dividend yield	6.0%

Further details of these options are provided in the Directors' Report.

b) Other KMP

In addition to the non-executive directors, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Entity
James Sturgess	Managing Director	Titan Energy Services Limited
Jim Diakogiannis	Executive Director	Titan Energy Services Limited
David Thornton	CFO and Company Secretary	Titan Energy Services Limited
Gus van der Heide	COO	Titan Energy Services Limited

Performance Rights

KMP have been issued with a series of performance rights as part of their employment terms and conditions. The performance rights vest based on the following:

- 50% based on the attainment of business key performance indicators (KPIs); and
- 50% based on share price performance.

The performance rights attached to the business KPIs are divided into three equal tranches for the first three years of employment. The business KPIs are a combination of Group and business unit profit targets.

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NOTE 26: SHARE-BASED PAYMENTS (CONTINUED)

b) Other KMP (Continued)

Performance Rights (Continued)

The performance rights attached to share price performance for James Sturgess and Jim Diakogiannis vest in three equal tranches based on the following:

- Ten day volume weighted average price (VWAP) of Titan Energy Services Limited shares is greater than \$1.76;
- Ten day VWAP of Titan Energy Services Limited shares is greater than \$2.06;
- Ten day VWAP of Titan Energy Services Limited shares is greater than \$2.35.

The initial share price performance target was met prior to 30 June 2013. The remaining share price performance targets were met during the current financial year and all outstanding rights were converted to shares.

The performance rights attached to share price performance for David Thornton and Gus van der Heide vest in three equal tranches based on the following:

- Ten day VWAP of Titan Energy Services shares is greater than \$1.50;
- Ten day VWAP of Titan Energy Services Limited shares is greater than \$1.75;
- Ten day VWAP of Titan Energy Services Limited shares is greater than \$2.00.

The first two share price performance targets were met prior to 30 June 2013. The remaining share price performance target was met during the current financial year and all outstanding rights were converted to shares.

KMP have also been issued with a series of performance rights as part of the Group's long term incentive arrangements. The performance rights vest based on the following:

- The Group achieving a minimum EBIT growth; and
- KMP remaining employed up to the release of FY14 audited results.

In October 2013, KMP were issued with additional performance rights in order to adjust their entitlements for the dilutive effect of the rights issue undertaken by the Company in March 2013. These additional performance rights vest on the attainment of business KPIs.

The performance rights are allocated as follows:

Tranche	Financial Years	Number
November 2011	FY12, 13, 14	750,000
December 2012	FY13, 14, 15	69,750
August 2013	FY14	20,500
October 2013	FY13, 14	12,965

The performance rights hold no voting or dividend rights and have not been listed. The performance rights lapse when a member of the KMP ceases their employment with the Group.

Further details of the performance rights are provided in the Directors' Report.

Included under employee benefits expense in the statement of comprehensive income is \$95,579 which relates to equity-settled share-based payment transactions (2013:\$164,779). The values of performance rights attached to share price performance were calculated using the Monte Carlo option pricing model applying the following inputs.

Expected share price volatility:	44.9%
Risk-free interest rate:	3.97%
Dividend yield	6.0%

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NOTE 26: SHARE-BASED PAYMENTS (CONTINUED)

c) Other Staff

On 12 August 2013 and 11 October 2013 respectively, the Company issued 437,000 and 18,000 performance rights to other staff of the Company under the Performance Rights Plan as a long term incentive to staff. These performance rights vest when the Audited Financial Statements for the year ended 30 June 2014 are completed (Completion Date) provided the employees to whom they were issued have remained in the continuous employment of the Group up until the Completion Date. The Company expects that 323,000 performance rights will vest on the Completion Date. The performance rights that vest will be converted to ordinary shares within 30 days of the Completion Date.

On 16 August 2013, three other staff of the Company were each issued 75,000 performance rights which are split as follows:

- a) 37,500 performance rights divided into three (3) equal tranches of 12,500 performance rights each for the first three years of employment vesting when business unit or Group profit targets are met.

The tranches issued to other staff in respect of the 30 June 2014 financial year have lapsed as the Board has determined that performance targets have not been met.

- b) 37,500 performance rights divided into three (3) equal tranches of 12,500 performance rights based on the ten day VWAP exceeding:

- a. \$2.40
- b. \$2.80
- c. \$3.20

All three share price performance targets were met during the current financial year and, as a result, 112,500 performance rights were converted to ordinary shares. Refer to Note 16.

Included under employee benefits expense in the statement of comprehensive income is \$831,183 (2013: \$325,397) which relates to these equity-settled share-based payment transactions outlined above.

d) Titan Equity Plan Trust

The Company has implemented two equity based compensation plans that are currently in use. These are the Performance Rights Plan and the Employee Share and Option Plan. During the financial year, the Company established the Titan Equity Plan Trust (Trust) to facilitate the provision of shares in the Company under each of the above named plans to certain employees of the Company. The trustee of the Trust is Pacific Custodians Pty Ltd.

The establishment of the Trust provides the Company with greater flexibility to accommodate its long term incentive arrangements while the business continues to expand in terms of operations and employee numbers in future years. The Trust will also provide the Company with capital management flexibility in that the Trust can use contributions from the Company either to acquire shares in the Company from existing shareholders or to subscribe for new shares in the Company.

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NOTE 27: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and borrowings.

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

	Note	Consolidated Group	
		2014	2013
		\$'000	\$'000
Financial Assets			
Cash and cash equivalents	6	4,258	6,641
Trade and other receivables ¹	7	15,431	14,568
Total financial assets		<u>19,689</u>	<u>21,209</u>
Financial Liabilities			
Trade and other payables	11	10,070	15,322
Borrowings	12	12,915	13,214
Total financial liabilities		<u>22,985</u>	<u>28,536</u>

(1) Excludes prepayments.

Financial Risk Management Policies

The overall setting and management of the Group's financial risk policies is the responsibility of the Board of Directors and has been delegated to the Audit Committee. The Audit Committee has been delegated responsibility by the Board of Directors for, among other matters, managing financial risk exposures of the Group. The Audit Committee monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, liquidity risk and interest rate risk. The Audit Committee meets regularly and minutes of the Audit Committee are reviewed by the Board.

The Audit Committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging, derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and procedures for managing or measuring the risks from the previous period.

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NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management (Continued)

a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Audit Committee has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given to parties securing the liabilities of certain subsidiaries (refer to Note 29 for details).

The Group currently has significant contracts with a tier one contractor. On a geographical basis, the Group has significant credit risk exposures to Australia given the substantial operations in this region. Details with respect to credit risk of trade and other receivables are provided in Note 7.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 7.

Credit risk related to balances with banks and other financial institutions is managed by the Audit Committee in accordance with approved board policy. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	Consolidated Group	
		2014	2013
		\$'000	\$'000
Cash and cash equivalents:			
• AA- rated		4,258	6,641
Total cash and cash equivalents	6	4,258	6,641

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NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management (Continued)

b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial Liability Maturity Analysis

	Note	Within 1 Year		1 to 5 Years		Total	
		2014	2013	2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Group							
Financial liabilities due for payment							
Bank overdrafts and loans	12	4,304	3,635	8,611	9,579	12,915	13,214
Trade and other payables	11	10,070	15,322	-	-	10,070	15,322
Total contractual outflows		14,374	18,957	8,611	9,579	22,985	28,536
Total expected outflows		14,374	18,957	8,611	9,579	22,985	28,536

c) Interest Rate Risk

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

The financial instruments which primarily expose the Group to interest rate risk are borrowings, and cash and cash equivalents.

Interest rate risk is managed using fixed rate debt. At 30 June 2014, 100% of Group debt is fixed rate.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 27: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management (Continued)

c) Interest Rate Risk (Continued)

Sensitivity Analysis

As the Group's interest rates are 100% fixed, and therefore not subject to changes in market interest rates, a sensitivity analysis has not been performed.

	2014	2013
	\$'000	\$'000

NOTE 28: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards

STATEMENT OF FINANCIAL POSITION

Assets

Current assets	3,660	6,093
Non-current assets	61,923	54,796
Total assets	65,583	60,889

Liabilities

Current liabilities	5,886	13,113
Non-current liabilities	8,773	9,584
Total liabilities	14,659	22,697

Equity

Issued capital	45,761	40,758
Option reserve	(107)	849
Retained earnings / (Accumulated losses)	5,269	(3,415)
Total equity	50,923	38,192

STATEMENT OF COMPREHENSIVE INCOME

Total profit (loss)	12,078	(984)
Total comprehensive income	12,078	(984)

Guarantees

Titan Energy Services Limited has entered into guarantees in relation to the debts of its subsidiaries. Refer Note 29 for further details.

Contingent Liabilities

At 30 June 2014, Titan Energy Services Limited had a contingent liability with regards to a possible retention payment. Refer to Note 29 for further details.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 28: PARENT INFORMATION (CONTINUED)

Contractual Commitments

At 30 June 2014, Titan Energy Services Limited had entered into a contract to purchase rostering and time and attendance software for \$38,275 (2013: Nil). Refer to Note 24.

NOTE 29: CONTINGENT LIABILITIES

The Group had contingent liabilities at 30 June 2014 in respect of:

Guarantees

GE Commercial Corporation (Australia) Pty Ltd - Loans provided under this facility are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

Royal Wolf - Titan Energy Services Ltd, Atlas Drilling Co Pty Ltd, Titan Plant Logistics Pty Ltd and Titan Resources Camp Hire Pty Ltd (together Guarantors) jointly and severally unconditionally guarantee payment of debt owed to Royal Wolf Trading Australia Ltd (RWT). The Guarantors jointly and severally indemnify RWT against any loss in relation to the non payment or recovery of debt owing.

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries of the Company are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

Other Contingent Liabilities

At the time of acquisition of Hofco Oilfield Services Pty Ltd (Hofco), the Group negotiated an agreement with personnel holding key management positions in Hofco whereby they would be entitled to a retention payment if they were employed by the Group for a period of two years from the date of acquisition (15 March 2013). The directors estimate that the maximum amount of entitlements payable under this agreement is approximately \$1.9 million. The retention payment was not considered part of the acquisition cost as there was no certainty of payment and the key personnel concerned were not parties to the Sale and Purchase Agreement.

The obligation has not been brought to account as a liability in the current financial year due to the following:

- (1) No present obligation is considered to exist as the payment is contingent on the key personnel being employed by the Group at 15 March 2015;
- (2) The payment is not in relation to the performance of services or achievement of targets over the period leading up to 15 March 2015. Therefore no constructive obligation is considered to exist;
- (3) It remains uncertain whether the key personnel will meet the criteria to receive the retention payment; and
- (4) There is a lack of adequate historical employee data to reliably the probability of the key personnel achieving the criteria to receive the retention payment.

The directors are not aware of any other contingent liabilities or assets that are likely to have a material effect on the results of the Group, as disclosed in these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

NOTE 30: EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 July 2014, the Group incorporated Base Transport and Logistics Pty Ltd as a 100% owned subsidiary of Titan Energy Services Limited. The new subsidiary company will be the vehicle through which the Group conducts its logistics business. Refer to Note 5.

The directors have declared a final fully franked ordinary dividend of \$2,023,437 (4.0 cents per fully paid share) be paid on 16 September 2014 out of retained profits and a positive net asset balance at 30 June 2014.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 31: COMPANY DETAILS

The registered office and principal place of business of the Company is:

Titan Energy Services Limited
Level 5, 189 Grey Street
South Brisbane, QLD 4101

The principal places of business are:

- Atlas Drilling Co Pty Ltd
Level 5, 189 Grey Street
South Brisbane, QLD 4101
- Atlas Drilling Services Pty Ltd
Level 5, 189 Grey Street
South Brisbane, QLD 4101
- Resources Camp Hire Pty Ltd
Level 5, 189 Grey Street
South Brisbane, QLD 4101
- Titan Plant Logistics Pty Ltd
Level 5, 189 Grey Street
South Brisbane, QLD 4101
- Nektar Remote Hospitality Pty Ltd
Level 5, 189 Grey Street
South Brisbane, QLD 4101
- Base Hospitality Pty Ltd
Level 5, 189 Grey Street
South Brisbane, QLD 4101
- Hofco Oil Field Services Pty Ltd
13 Production Avenue
Molendinar, QLD 4214

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NOTE 31: COMPANY DETAILS (CONTINUED)

- Hofco Services Pty Ltd
13 Production Avenue
Molendinar, QLD 4214
- Titan Equity Plan Trust
C/- Pacific Custodians Pty Ltd
Level 12, 680 George Street
Sydney, NSW 2000

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 73 are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated Group.
2. In the directors' opinion there are reasonable grounds to believe that Titan Energy Services Limited will be able to pay its debts as and when they become due and payable.
3. The directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

The Company and its wholly owned subsidiaries have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

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

This declaration is made in accordance with a resolution of the Board of Directors.



James Sturgess
Director

Brisbane, 6 August 2014

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITAN ENERGY SERVICES LIMITED**

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state that, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- a) the financial report of Titan Energy Services Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 23 of the Directors' Report for the year ended 30 June 2014. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Titan Energy Services Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PKF HACKETTS

PKF HACKETTS AUDIT



Liam Murphy
Partner
Brisbane, 6 August 2014