CIC AUSTRALIA

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ASX Code: CNB

Companies Announcement Platform
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

LODGEMENT OF PRELIMINARY FINAL REPORT

JUNE 2014 YEAR END ACCOUNTS

Pursuant to Listing Rules 4.3A and 4.5, CIC Australia Limited (CNB) announces its 2014 year end results in the form of the attached Financial Report and Appendix 4E for the financial year 1 July 2013 to 30 June 2014.

Issued by
CIC Australia Limited

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CIC AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES
ABN 92 003 157 515

AUSTRALIAN STOCK EXCHANGE LIMITED

Appendix 4E

PRELIMINARY FINAL REPORT

FOR THE TWELVE MONTH PERIOD 1 JULY 2013 TO 30 JUNE 2014

1. Reporting period

Report for the financial year from 1 July 2013 to 30 June 2014. The previous corresponding period relates to the twelve month period from 1 July 2012 to 30 June 2013.

2. Results for announcement to the market

			$000
Revenue from ordinary activities	Up	101% to	59,715
Profit from ordinary activities after tax attributable to members	Up	38% to	14,143
Net profit attributable to members	Up	38% to	14,143

	Amount per security	Franked amount per security
Final dividend	-¢	-¢
Interim dividend declared and payable	-¢	-¢

Record date for determining entitlements to the dividend N/A

For an explanation of any of the figures reported above, please refer to the attached Financial Statements.

3. Statement of financial performance

Please refer to the attached Financial Statements.

4. Statement of financial position

Please refer to the attached Financial Statements.

5. Statement of cash flows

Please refer to the attached Financial Statements.

6. Dividends

Date the dividend is payable	N/A
If it is a final dividend, has it been declared?	N/A

Amount per security	**Amount per security**	**Franked amount per security**	**Date Paid / Payable**
Current year: Final dividend - in respect of the 12 months ended 30 June 2014	-¢	-¢	N/A
Previous year: Final Dividend - in respect of the 6 months ended 30 June 2013	-¢	-¢	N/A

7. Dividend Reinvestment Plan

N/A

8. Statement of retained earnings

Please refer to the attached Financial Statements.

9. Net tangible assets per security

30 June 2014	$0.77
30 June 2013	$0.64

10. Entities over which control has been gained or lost during the period

Not Applicable

11. Associates and joint venture entities

Please refer to the attached Financial Statements.

12. Other relevant information

Please refer to the attached Financial Statements.

13. Accounting standards applied to foreign entities

Not Applicable

14. Commentary of results for the period

Please refer to the attached Financial Statements.

15. Audited Financial Statements

The Financial Statements have been audited. Please see attached Financial Statements for a copy of the Audit Report.

16. Audit dispute or qualification

None

CIC AUSTRALIA LIMITED

ABN: 92 003 157 515

Financial Report

30 June 2014

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Directors' Report

The directors present their report together with the financial report of CIC Australia Limited (the Company)(CIC) and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the year ended 30 June 2014 and the auditor's report thereon.

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Directors' Report (continued)

1. OPERATING AND FINANCIAL REVIEW

A STRONG TWELVE MONTH RESULT

CIC has posted a strong result achieving an underlying operating profit of $20.4m[1] before tax and a net profit after tax for the year of $14.1m. Underpinning the results were strong performances from our Crace, Lightsview and the Heights at Durack projects now coupled with a strong contribution by our flagship Googong development.

CIC remains in a strong financial position having extended its Multi Option Facility (MOF) through to July 2015 at which time the debt will be extinguished. A condition of the MOF extension requires CIC not to pay any dividends to shareholders.

In addition to undertaking to extinguish the MOF debt, CIC has over the past year reduced debt significantly and remains modestly geared. At balance date our net bank debt to project inventory was 20% and our net bank debt to total project investments[2] was 14%. Interest cover for the year was 11.8 times[3].

CIC continues to maintain a high level of pre sales in most of our developments. As at 30 June 2014 there were 573 unsettled sales totalling $159m which will underpin a good result for 2014/15.

The business strategy for CIC at present is to focus on extinguishing the MOF debt, concentrate on our current projects which are all in various stages of delivery, and now looking to find other opportunities and grow the operations of CIC. During the past twelve months we have been successful in being selected by Renewal SA as the preferred partner to develop the Tonsley site and now also undertaking the Mt Barker project, both in Adelaide.

The Googong project is now well underway and will underpin ongoing future profits into the future along with Lightsview (Adelaide SA) and The Heights, Durack (Darwin NT) both of which have long development lives. The construction of our Quayside project is nearing completion and will return a modest profit over the coming months. However, it will release a large amount of capital that has been tied up for many years as we battled the well publicised objections to this project.

An update summary of our various projects is outlined below.

PROJECTS

GOOGONG Township, NSW (CIC 50%)

Googong is a Joint Venture (JV) between CIC and Mirvac to develop a new Township in NSW just across the ACT border.

The period 1 July 2013 to 30 June 2014 saw the Googong Township vision move to reality after more than a decade of planning and approvals.

The primary milestones achieved at Googong in the 12 months to 30 June 2014 included:

- Continuing strong sales results with a further 327 sales bringing the total to 642.

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[1] Underlying operating profit is calculated as the pre-tax profit of the Group's share of all group entities and equity accounted investees.

[2] Net bank debt is total bank debt less cash. Total project investments equals total inventory plus net investments in project Joint Ventures.

[3] This is the number of times EBIT covers actual bank interest expensed (i.e. not capitalised into loan balances) during the reporting period.

Directors' Report (continued)

- Completion of the civil construction works for the 337 lots in the first two stages in Neighbourhood One (Googong North) and settlement of 342 sales.
- Demonstration Village homes and first spec and seed homes completed and open. The first residents arrived in March 2014.
- Completion of the first water reservoirs and first stages of the water and sewer network to service the completed development.
- Completion of construction of the first sports field with public opening scheduled post spring 2014.
- Completion of landscape works in Beltana Park (a major recreation park in the first Neighbourhood).
- Completion and opening of Club Googong. Club Googong has an indoor pool, gymnasium, general store, cafe and incorporates the Googong Sales and Information Centre.
- Completion of the Old Cooma Road realignment.
- Commencement of civil construction works for the next three stages comprising a further 450 lots.
- Approval of and commencement of construction of the first stage of the Township's water recycling plant.
- Commencement of construction of the K-12 Anglican School.
- Approval of the subdivision DA for a further 350 lots in and around the first neighbourhood centre including 47 terrace homes that will provide high quality, compact homes meeting lower price points in the market.
- Lodgement of the structure plan for the next 600 lots.

Googong continues to be very well received in the regional market, and is set to become the benchmark master planned community in the Canberra Region market for many years to come.

CRACE, ACT (CIC 40%)

Crace is a Joint Venture (JV) with the ACT Government's Land Development Agency (LDA), while CIC in its own right is the project manager and is also responsible for sales and marketing.

During the first half of FY14 sales were completed at Crace with 305 settlements achieved in the six month period to Christmas. With completion of sales and settlements the physical presence of CIC at Crace ceased with the closing of the Sales Office in January 2014. Construction of homes is well under way with over 1,300 homes currently complete or under construction.

Construction of the Crace Central shopping complex was completed in November 2013 with a grand opening day well attended by current and prospective residents of Crace and residents from the surrounding areas. The Goodwin Retirement complex is due for opening of the initial stage soon with the final stage of construction to commence closely thereafter. The Crace Medical Centre opened in May 2014 with residents welcoming a health facility on their doorstep. The Childcare Centre is due for opening in September 2014 and already has a full capacity of young Crace children.

The urban design and landscape of Crace continues to impress with Crace taking out the Property Council of Australia National Award for Best Masterplanned Community in May 2014. Crace was a finalist in the UDIA NSW Best Masterplanned Community Award held in August 2014 and won a special commendation in very competitive field.

FORDE, ACT (CIC 25%)

Forde is another of CIC's JV projects, in conjunction with Lend Lease (LL) and the ACT Land Development Agency. CIC has a 25% interest in the project and, with LL, is the project, marketing and sales manager.

Forde is fully completed, apart from works associated with final handovers of assets to the ACT Government agencies which are due to be achieved in the final quarter of 2014.

Directors' Report (continued)

QUAYSIDE APARTMENTS, KINGSTON, ACT (CIC 100%)

Quayside comprises 100 apartments, with a mix of studio, 1, 2 and 3 bedroom units, and including 4 penthouses. The building also provides approximately 2,000 square metres of commercial floor space on the ground floor, with undercroft and basement parking.

The site is very well located in the heart of the Kingston Foreshore precinct, only one block back from Kingston Harbour, which is part of Lake Burley Griffin. Currently there are 93 units sold with the balance expected to be sold by February 2015. Two commercial tenancies have been sold.

Construction is on schedule and tracking well for completion this quarter.

EASTERN INDUSTRIAL ESTATE, ACT (CIC 100%)

Sales at Eastern Industrial Estate continue be challenging with sales of industrial land proving difficult in a soft ACT industrial market. All competing industrial projects in the region have been facing similar difficulties in obtaining sales with Eastern Industrial Estate being the best performer in the market place. Enquiry level remains consistent whilst conversion to sales remains a challenge. While demand remains very low, and the ACT Government continues to release further industrial land to the market, and thus sales rates at EIE and in competing developments will remain soft.

During the year 7 sales were achieved. Stage 1 comprising 36 blocks is now 100% sold, 65% of Stage 2A, comprising 27 blocks, sold and Stage 2B1 comprising 17 blocks released to the market in June 2014 with one sale achieved to date. Stage 1 and 2A have been completed with 25% of blocks having buildings completed or under construction.

Stage 2B1 contains Eastern Industrial Estate's niche market offering of small blocks, battleaxe blocks and pre-approved multi unit titled blocks appealing to smaller business enterprises and small-scale property developers. CIC has put together a variety of further value-add offerings of built form packages, and actively assists all potential purchasers with design concepts and costings.

BAY RIDGE, BATEMANS BAY, NSW (CIC 100%)

The South Coast market continues to be a tough market. We are currently awaiting NSW Planning and Infrastructure comments on a DA amendment for re-subdivision of Stage 2B. This amendment will sub-divide the original 22 lots to create 32 smaller lots. Detailed design drawings for Stages 2B1 and 2B2 are complete and will be submitted to Council for construction approval upon DA amendment approval whilst tendering of the works concurrently.

All of the 11 smaller lots in Stage 2 have settled with 2 larger lots yet to sell from the original release.

Marketing of the first release of stage 2B (2B1 with 20 lots) commenced in late December 2013. There have been 12 exchanges for lots in stage 2B1.

LIGHTSVIEW (ADELAIDE), SA (CIC 50%)

The Lightsview Joint Venture between CIC and the SA Government's Renewal SA (formerly Land Management Corporation) continues to perform well above the competition in the greater Adelaide region, notwithstanding a very subdued SA residential market during 2013/14.

Directors' Report (continued)

In 2014 Lightsview won the highly coveted National Award for Best Master Planned Community presented at the UDIA National Congress. It then went on to win the President's Award as the "Best of the Best" urban development project in the country.

Lightsview's easily navigable and safe linkages for walking and cycling, range of neighbourhood parks and innovative affordable housing were praised by the national judging panel.

Milestones for the year included:

- The project's most successful annual sales performance since the start of the project, delivering a record profit result for the year against the back drop of a very difficult real estate market.
- The addition of a further 11ha of land from the former Ross Smith High School site to provide for a further 250 dwellings, signifying the ongoing high levels of satisfaction within the SA Government with the performance of CIC in this Joint Venture.
- The construction of over 250 dwelling sites and all associated infrastructure with total sales for the project to date exceeding 1,000 dwellings from an ultimate total of 2,700.
- The launch of another new CIC affordable housing design, the Terrace 344 with over 20 sold to date and taking the total number of CIC designed home sales to well over 300.

The project continues to be very highly regarded both within the development industry as well as the SA Government and attracts an unusually high number of local and interstate visitors seeking project briefings and tours.

CIC's performance at Lightsview was also a key influence in CIC being selected as the preferred development partner for another Government infill project situated on the former Mitsubishi factory site at Tonsley 8km south of the CBD.

LYONS, NT (CIC 50%)

CIC's Darwin Joint Venture at Lyons with partner Defence Housing Australia (DHA) has been a great success. The project is now complete, with all residential lots sold and settled. The last remaining allotment, set aside for a child care site, settled in December 2013.

THE HEIGHTS, DURACK NT (CHARLES DARWIN UNIVERSITY) (CIC 50%)

CIC is the development partner for the creation of a new residential community on land which is surplus to the requirements of the Palmerston campus of the Charles Darwin University. The land is being developed by CIC into a diverse new community in the heart of the City and surrounding the University's on site facilities.

The suburb of Durack (in which the University is located) is immediately adjacent to the Palmerston City Centre, and is perhaps the most sought after address in Palmerston.

This 882 dwelling project, now known as "The Heights Durack" has achieved excellent sales with 269 contracts being exchanged since June 2012. Stage 1, 2, 3 and 4 have been completed and titled. A total of 164 lots were settled in this financial year. Construction is well advanced on stages 5, 6, 7 and 8.

The Heights, given its premium location and context, is attracting higher prices when compared to other offerings in Palmerston. Further stages will be released in an accelerated delivery program based on very strong demand being experienced in Darwin.

Directors' Report (continued)

As in other projects CIC has developed a Lifestyle Housing product. This is a house and land package that is delivering housing affordability allowing buyers on moderate incomes to qualify and purchase these specific products.

SUSTAINABILITY REPORT 2014

This report sets out the Company's sustainability practices, describes significant sustainability initiatives implemented during FY14 and identifies the direction of the Company moving forward.

Sustainability at CIC

At CIC the business structure, systems and culture are aligned to assist in driving the Company's sustainability initiatives, with a goal of continuous improvement. This can be demonstrated by the general operations of the Company and seeing the communities we are developing from social, environmental and economic perspectives.

Our People, Policies and Places

The company offers a very attractive suite of entitlements and benefits to attract and retain an excellent professional team.

The company's Terms and Benefits policy provides a clear reference point for existing and prospective employees and assists in the attraction and maintenance of a balanced and enriched workforce.

Consistent with the company's Diversity Policy, females continue to be well represented throughout the company, including the senior positions of Chief Financial Officer, Group Financial Controller and National Marketing Manager. Of a total of 55 employees, 26 are female and 29 are male.

Our Communities

CIC has, for many years, been a leader in the delivery of a wide range of environmental, economic and social sustainability initiatives across a variety of projects and locations.

In the last decade the company has pioneered and mainstreamed a number of measures designed initially to address environmental performance of our projects, and more recently has made significant advances on the economic and social outcomes that CIC is able to address via its core activities.

In the past year our project sustainability focus has been on the following:

- **Environmental Health and Safety**
    - Implementation and improvement of the Company's Projects Safety Plan and monitoring of Construction and Environmental Management Plans (CEMPs) on all major civil projects.

- **Affordable Housing**
    - Ongoing delivery of awarding winning, architecturally designed affordable house and land packages at Lightsview.
    - Collaboration with Queanbeyan Council and NSW Planning and Environment to change the planning regime for Googong to better accommodate the delivery of affordable homes.
    - Delivery of affordable housing at The Heights, Durack NT.
    - Award of preferred tender status for the redevelopment of an 11 hectare parcel of land at Tonsley, 8km south of the Adelaide CBD. South Australia's Minister for Housing & Urban Development acknowledged CIC's track record of delivering innovative built form, housing diversity and affordable homes as a key factor in awarding the project. Approximately 1,000 dwellings and mix of retail and commercial uses are proposed.

Directors' Report (continued)

- **Infrastructure**
  - Commencement of construction of the Googong Water Recycling Plant which aims to recycle around 80% of the waste water generated on site and reduces potable water demand by up to 60%.
  - Ongoing delivery of stormwater harvesting works at Crace, Lightsview and commencement of works at Googong.
  - Funding of road works on Old Cooma Road, improving safety and reducing travel times from Canberra to Googong.
  - Facilitation of delivery and opening of the medical centre, child care centre and retail centre at Crace as well as the construction of the Goodwin independent living village in the same precinct.
  - Opening of Club Googong, a 25m lap pool, gymnasium and café/general store meeting the daily needs of residents – in addition to Beltana Park and the first tennis courts in the new township.
  - Handover of the recycled water system at Lightsview.

- **Community engagement and development**
  - Delivery of community development programs in all major projects with a combination of in house experts and with partners including Connections Community Development, a not for profit organisation engaged to welcome new residents at Googong and Crace, run activation programs and provide sustainability education services.
  - Reinstatement of an historic settlers hut into open space at Googong, providing a reference to the agricultural history of the land.
  - Hosting and sponsoring of a Water Sensitive Urban Design lecture series and site tours in the ACT – attended by industry and academic experts.
  - Collaboration with the University of Canberra to monitor the wellness and the level of engagement of Crace residents compared to the wider community, finding Crace residents are happier and more physically active.
  - Establishment of Crace residents association.
  - Establishment with Molonglo Creek Catchment group and participation in the Bush on the Boundary (BoB) group at Googong.

- **Natural environment and landscaping**
  - Establishment of park and streetscape works in all major projects significantly increasing the vegetation cover, cooling the environment and providing opportunities for birdlife.
  - Preparation and approval of the Googong Foreshores – Township Interface Management Strategy including requirements for management of feral animals, weeds, unauthorised access and protection of native flora and fauna and the region's water supply.
  - Ground and surface water monitoring at Googong and environs to establish baseline data in advance of operation of the water recycling plant.
  - Obtaining approval to develop an urban bush regeneration park between the existing suburb of Durack and The Heights, Durack NT.

Directors' Report (continued)

- **Sustainable design**
    - Ongoing implementation of energy and water saving criteria for all homes at Googong. All homes must achieve minimum 50% potable water saving, a 40% energy saving (exceeding NSW Government Criteria of 40% for water and 25% for energy).

Participation with government and corporatised government partners in major joint venture projects has provided CIC with access to residential projects of scale, and with partners with strong sustainability agendas. These joint ventures have enabled CIC to demonstrate its sustainability credentials on major sites.

CIC acknowledges and thanks its major partners in FY14, namely the ACT Government's Land Development Agency, the South Australian Government's Renewal SA (formerly Land Management Corporation), Mirvac and the Charles Darwin University.

Through the FY15 and beyond, the design and provision of quality affordable homes will be the focus of our sustainability agenda, alongside the maintenance of the many urban design, engineering, landscaping and community building measures noted above. Collectively, these measures make CIC developments sustainable communities.

Directors' Report (continued)

2. DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows:

Mr J Service
Chairman
Non-Executive Director

Mr Service joined CIC Australia Limited in May 2013 as Director and Chairman. He also serves on the Audit and Remuneration Committees of the Group.

Mr Service has extensive experience in all sectors of the property industry including investment, development, construction and management. He has been the Managing Director of J G Service Pty Ltd since 1990.

He is also Chairman of the ACT Building and Construction Industry Training Fund Authority, Chairman of Peet Flagstone City Pty Limited, a Director of Peet Alkimos Pty Ltd, a Foundation Board Member of the Australian Foundation for Mental Health Research and Chairman of Koomarri – a leading service provider for people with a disability in Canberra and surrounding regions.

Mr C Alexander
OAM, B.A (Acc), FCPA
Chief Executive Officer and Managing Director

Mr Alexander has been the Managing Director of the Company since its founding in 1986 and was appointed Chief Executive Officer (CEO) in 1995.

Mr Alexander has extensive corporate finance and accounting expertise and over 29 years experience in the land development and construction industry. He is Chairman of the Canberra MBA Fidelity Fund, Chairman of Community Housing Canberra Limited, a member of the Board of the ACT Property Council and the Master Builders Skills Building Fund and a Council member of the Canberra Business Council.

Mr J Mackay
AM, FAIM, BA(Admin/Economics); Honorary Doctorate
Independent Non-Executive Director

Mr Mackay joined the Board in 2009. He is also a member and Chairman of the Audit and Remuneration Committees.

He has extensive experience in constructing and managing major infrastructure in Australia and abroad. His experience incorporates roles as CEO and Chairman in several government, private and community organisations.

Mr B Gore
BComm, FCPA, FGIA, FCSA, FAICD
Non-Executive Director

Mr Gore joined CIC Australia Limited in May 2013. He also serves on the Audit and Remuneration Committees.

Mr Gore has held senior corporate, commercial and operational roles for more than 20 years and brings wide-ranging expertise in the business, resources and property sector. Mr Gore is Managing Director and Chief Executive Officer of Peet Limited.

Directors' Report (continued)

2. DIRECTORS (continued)

Mr P Dumas
M App Fin, BEc
Non-Executive Director

Mr Dumas was appointed a Director of the Company in May 2013.

He has worked in the property funds management industry since 1995 with some of Australia's leading property fund managers, including AMP Capital and Multiplex Ltd. Mr Dumas joined Peet Limited in February 2008 as Head of Funds Management. Mr Dumas has also served as a director on a number of joint venture boards including four years as a Director of the AMP New Zealand Office Limited, which is listed on the New Zealand Stock Exchange.

3. COMPANY SECRETARY

Ms M Andrews B.Comm, FCPA GAICD was appointed to the position of Company Secretary in November 1997 and is also the Chief Financial Officer of the Group.

4. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

5. DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) and the number of meetings attended by each director during the reporting period are:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
Director	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
Mr J Service	11	12	2	2	1	1
Mr C Alexander	12	12	-	-	-	-
Mr J Mackay	11	12	2	2	1	1
Mr B Gore	12	12	2	2	1	1
Mr P Dumas	10	12	-	-	-	-

Directors' Report (continued)

6. REMUNERATION REPORT (Audited)

The remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Group in accordance with the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the company and senior executives of the Group.

For the purposes of this report, the personnel identified as KMP are:

<u>Non – executive directors</u>
Mr J Service (Chairman)
Mr J Mackay
Mr B Gore
Mr P Dumas

<u>Executive directors</u>
Mr C Alexander (CEO)

<u>Executives</u>
Mr G Smith (Regional Manager – SA/NT)
Ms M Andrews (CFO / Company Secretary)

6.1 Principles of remuneration

The performance of the Company depends upon the quality of its directors and executives.

Remuneration levels are competitively set to strike a balance between retaining, motivating and rewarding highly skilled and experienced executives whilst also aligning with business performance and shareholder returns. The Remuneration Committee benchmarks the appropriateness of remuneration packages against comparative companies and by considering trends in the employment market and may obtain independent advice.

The remuneration structure is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration strategy provides a strong link between performance and reward so that executive reward outcomes are dependent on delivering results to shareholders.

Remuneration packages can include a mix of fixed and variable remuneration, short and long term performance-based incentives and equity-based remuneration. This combination aims to motivate and retain highly skilled executives by providing market competitive fixed remuneration and an incentive framework that rewards for results delivered.

Directors' Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.1 Principles of remuneration (continued)

Fixed remuneration

Fixed remuneration consists of a gross salary package amount, which employees are given the opportunity to receive in a variety of forms including cash, employer superannuation contributions and certain fringe benefits.

Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers both individual and overall performance of the Group. Where appropriate, external consultants provide analysis and advice to ensure remuneration is competitive in the market place.

Performance-based remuneration

Performance-based remuneration includes both short-term and long-term incentives and is designed to reward and retain KMP. The short-term incentive (STI) is an "at risk" cash bonus based on the overall operating performance of the Group. Long-term incentives (LTI) may be provided at the discretion of the Remuneration Committee as options or share appreciation rights over ordinary shares of CIC Australia Limited under the rules of the *Option Plan* or the *Awards Plan*.

Short-term incentive

A formal annual STI plan operates within the Group and awards a bonus subject to the attainment of a pre-determined profit benchmark set by the Board. The benchmark is based on a return on shareholders' funds where the achievement of a set level of profit as a percentage of shareholders' funds is the trigger for the STI to become operational. Formalised terms and conditions of the STI establish a formula for the calculation of the bonus pool and the allocation of this pool among staff. If the profit target is not met, no STI will be paid.

The STI is set at a level to provide sufficient incentive to executives and staff to achieve the operational targets to provide a healthy return to shareholders and such that the cost to the Group is reasonable in the circumstances. The Remuneration Committee recommends the cash incentive to be paid to staff for approval by the Board. In the current period, the Group exceeded its profit target as a percentage of shareholders' funds, and as such a STI for the current period is payable.

Long-term incentive

<u>Option Plan</u>

The terms of the Option Plan as a long term incentive were approved at the Annual General Meeting in 2008. The Option Plan assists in the recruitment, reward, retention and motivation of employees and executives of the Group. The Remuneration Committee believes this structure provides a robust link between executive reward and business performance, and that employee reward drives desired behaviours.

Unless otherwise determined by the Board, no payment is required for the grant of the options under the Option Plan. The options issued under the Option Plan may be exercised after the relevant exercise conditions set by the Board have been satisfied, but within the exercise period determined by the Board. The options are subject to a three year vesting period with the vesting condition being a three year service period. Executives can exercise options once vested and acquire shares in the Company, subject to paying the exercise price.

Unless otherwise determined by the Board, options issued under the Option Plan will lapse on any termination of employment of the holder that occurs prior to the exercise condition having been satisfied. There were no options issued under this plan during the reporting period.

Directors' Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.1 Principles of remuneration (continued)

Employee Share Plan
During 2008, the Remuneration Committee introduced an Employee Share Plan to give employees the opportunity to share in the growth and value of the Group through an allocation of CIC shares.

Under the Plan, CIC grants each eligible employee $1,000 of CIC shares for no consideration, provided that the shares are subject to a three year holding lock and cannot be traded during this period. The Holding Lock lifts at the earlier of three years or termination of employment. There is no risk that employees will forfeit their shares. Over the three year holding lock period, employees have full voting and dividend rights equivalent to all other holders of CIC shares. No allocation of shares was made under this plan during the reporting period.

Awards Plan
During 2008, the Remuneration Committee introduced a cash-settled share based payment plan. Under this plan, the Company may grant share appreciation rights (SAR's) to employees as part of a remuneration package, whereby the employee will become entitled to a future cash payment, based on the increase in the Company's share price from a specified level over a specified period of time. The terms and conditions of this plan mirror those of the option plan however, at the exercise date the employee receives in cash the uplift in the share price instead of acquiring shares as per the Option Plan.

The rights issued under the Awards Plan may be exercised during the exercise period after the relevant exercise conditions have been satisfied. The rights are subject to a three year vesting period conditional on a three year service period.

Unless otherwise determined by the Board, rights issued under the Awards Plan will lapse on termination of employment prior to the exercise conditions of those awards having been satisfied. No allocation of SARs was made under this plan during the reporting period.

Consequences of performance on shareholders wealth
In considering the Group's performance and benefits for shareholders wealth, the Remuneration Committee has regard to the following indices in respect of the current reporting period and the previous four financial years.

	12 months to	6 months to	12 months to		
	2014	**2013**	**2012**	**2011**	**2010**
Profit before tax ($m)	16.6	1.15	5.2	12.8	10.3
Profit after tax ($m)	14.1	3.6	6.6	12.4	10.0
Dividends paid or declared (cents)*	0.0	3.0	4.0	4.0	4.0
Return on opening capital (% p.a.)	15.5%	3.9%	7.5%	15.7%	14.0%

Return on capital is the key financial performance target in setting the STI.

Service contracts
The Group has not entered into any service contracts with any director or KMP. There are no termination payments payable to any director or KMP, except at the discretion of the Remuneration Committee.

Directors’ Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.1 Principles of remuneration (continued)

Non-executive directors

Total remuneration for all non-executive directors last voted upon by shareholders at the AGM held in 2011 is not to exceed $400,000 per annum and is set with reference to fees paid to other non-executive directors of comparable companies. Directors’ base fees are presently set at a package of $70,000 per annum.

The Chairman receives a package of $90,000 per annum as his base fee. Non-executive directors do not receive performance-related remuneration. Directors' fees cover all main Board activities. Non-executive directors who are members of the Audit Committee or the Remuneration Committee receive $10,000 and $5,000 respectively per annum for each committee on which they sit in addition to their base fees.

Directors' Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director and other KMP of the consolidated entity are:

Table 1 – Remuneration for the year ended 30 June 2014

In AUD	Short-term			Post-employment	Other long-term	Share-based payments				
						Equity settled	Cash settled	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors	Salary & fees $	STI Bonus $	Non-monetary benefits $	Superannuation benefits $	$	Value of options $ (A)	Value of SAR's $(B)			
Non-executive										
Mr J Service	105,000	-	-	-	-	-	-	105,000	-	-
Mr J Mackay	77,803	-	-	7,197	-	-	-	85,000	-	-
Mr B Gore	85,000	-	-	-	-	-	-	85,000	-	-
Mr P Dumas	70,000	-	-	-	-	-	-	70,000	-	-
Executive										
Mr C Alexander (CEO)	588,243	264,530	35,261	17,775	2,039	-	-	907,848	29%	-
Executives										
Mr G Smith	356,850	109,217	7,910	17,775	8,885	-	-	500,637	22%	-
Ms M Andrews	286,601	110,784	22,903	17,775	6,008	-	-	444,071	25%	-
Total	**1,569,497**	**484,531**	**66,074**	**60,522**	**16,932**					

Directors' Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.2 Directors' and executive officers' remuneration (continued)

Table 2 – Remuneration for the period 1 January to 30 June 2013

In AUD	Short-term			Post-employment	Other long-term	Share-based payments		Termination benefits	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
						Equity settled	Cash settled				
Directors	Salary & fees $	STI Bonus $(C)	Non-monetary benefits $	Superannuation benefits $	$	Value of options $ (A)	Value of SAR's $(B)				
Non-executive											
Mr J Service	10,644	-	-	-	-	-	-	-	10,644	-	-
Mr B Gore	7,219	-	-	-	-	-	-	-	7,219	-	-
Mr J Mackay	33,096	-	-	2,890	-	-	-	-	35,986	-	-
Mr P Dumas	5,945	-	-	-	-	-	-	-	5,945	-	-
Mr M Loomes	32,914	-	-	2,962	-	-	-	-	35,876	-	-
Mr D Fox	22,616	-	-	6,055	-	-	-	-	28,671	-	-
Mr P Tunstall	24,256	-	-	2,183	-	-	-	-	26,439	-	-
Executive											
Mr C Alexander (CEO)	324,432	23,635	2,959	8,235	5,744	-	1,820	-	366,825	6%	0.5%
Mr A Carey (COO)	195,164	18,185	15,891	8,235	4,338	4,151	-	114,415	360,379	5%	1.2%
Executives											
Mr G Smith	164,021	9,755	10,277	8,235	4,686	-	-	-	196,974	5%	0%
Ms M Andrews	156,608	9,897	12,840	8,235	3,207	-	-	-	190,787	5%	0%
Total	**976,915**	**61,472**	**41,967**	**47,030**	**17,975**						

Directors' Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.2 Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' and executive officers remuneration.

A. The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated evenly to each reporting period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

B. The fair value of the share appreciation rights is calculated at the date of grant and at each reporting date using a Black-Scholes model. In valuing the share appreciation rights, market conditions have been taken into account.

C. The under/(over) provision of the STI bonus at 31 December 2012 paid to KMP in the period 1 January to 30 June 2013.

Details of performance-related remuneration

Details of the Group's policy in relation to the proportion of remuneration that is performance-related is discussed on page 12.

6.3 Equity Instruments

All options refer to options over ordinary shares of CIC Australia Limited under Option Plan or share appreciation rights issued under the Awards Plan.

6.3.1 Options and rights over equity instruments granted as remuneration

No options over ordinary shares in the Company or share appreciation rights were granted as remuneration to KMP during the reporting period. No options or rights that vested during the reporting period.

No options or rights have been granted since the end of the reporting period.

All options and share appreciation rights expire on the earlier of their expiry date or termination of the individual's employment. The options and rights are fully vested three years from grant date. In addition to a continuing employment service condition, the ability to exercise options is conditional on payment of the exercise price for share options under the Option Plan.

Further details regarding options and rights granted to executives are in Note 32 to the financial statements.

6.3.2 Exercise of options granted as remuneration

There were no outstanding options or share appreciation rights at the beginning or the end of the reporting period. No options or rights were granted during or since the reporting period.

Directors’ Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.3 Equity Instruments (continued)

6.3.3 Analysis of movements in options and rights

The movement during the reporting period in the number of options or rights over ordinary shares in CIC Australia Limited held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2013	Granted as remuneration	Other Changes*	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors						
Mr C Alexander	240,000	-	(240,000)	-	-	-
Executives						
Mr G Smith	140,000	-	(140,000)	-	-	-
Ms M Andrews	150,000	-	(150,000)	-	-	-

	Held at 1 January 2013	Granted as remuneration	Other Changes*	Held at 31 30 June 2013	Vested during the period	Vested and exercisable at 30 June 2013
Directors						
Mr C Alexander	720,000	-	(480,000)	240,000	240,000	240,000
Mr A Carey	600,000	-	(400,000)	200,000	200,000	200,000
Executives						
Mr G Smith	400,000	-	(260,000)	140,000	130,000	140,000
Ms M Andrews	300,000	-	(150,000)	150,000	-	150,000

No options or rights were held by KMP related parties.
 * Denotes options expired, exercised or forfeited during period

6.3.4 Analysis of movements in shares

The movement during the reporting period in the number of ordinary shares in CIC Australia Limited held, directly, indirectly, beneficially, by each KMP, including their related parties, is as follows:

	Held at 1 July 2013	Exercised under Option Plan	Sale of shares	Issued under DRP	Held at 30 June 2014
Directors					
Mr C Alexander	-	-	-	-	-
Executives					
Mr G Smith	-	-	-	-	-
Ms M Andrews	-	-	-	-	-

	Held at 1 January 2013	Exercised under Option Plan	Sale of shares	Issued under DRP	Held at 30 June 2013
Directors					
Mr C Alexander	4,644,430	-	(4,644,430)	-	-
Mr M Loomes*	883,878	-	-	-	883,878
Mr A Carey*	55,200	400,000	(455,200)	-	-
Executives					
Mr G Smith	2,540	130,000	(132,540)	-	-
Ms M Andrews	2,540	150,000	(152,540)	-	-

 * As at 30 June 2013 no longer KMP of the Group.

Directors' Report (continued)

6. REMUNERATION REPORT (Audited) (continued)

6.4 Other KMP transactions

From time to time, key management personnel of the Group or their related entities, may purchase goods from the Group. Unless disclosed otherwise, these purchases are on the same terms and conditions as those entered into by other Group employees or customers.

7. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the acquisition, subdivision, development, construction and sale of real estate. There were no significant changes in the nature of the activities of the Group during the reporting period.

8. DIVIDENDS

No dividends were paid or declared by the Company to members since the end of the previous financial year.

Declared after end of reporting period
No dividends have been declared subsequent to the end of the reporting period.

9. EVENTS SUBSEQUENT TO REPORTING DATE

On 4 July 2014 the company surrendered part of its head office lease in Canberra. The partial surrender relates to level 2, which had been sub-let to a third party. This will result in reduction of cost and offsetting reduction of revenue in future reporting periods.

10. LIKELY DEVELOPMENTS

The Group will continue to pursue its policy of increasing the profitability and market share of its business during the next financial year. This will require further investment in land development and other areas which have performed well over recent years and offer sound opportunities for future development.

The Group is presently investigating and tendering on a number of new investment proposals, but no commitment has been made to proceed with any of these projects. Shareholders will be advised of significant new developments as circumstances require.

11. DIRECTORS' INTERESTS

No director has a relevant interest in the shares, rights or options of the Company as at the date of this report.

Directors' Report (continued)

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The Company has agreed to indemnify the directors and the Company Secretary of the Company and its controlled entities against all liabilities that may arise from their position as director or officer of any Group entity. Under the terms of the agreement the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance

Since the end of the previous financial year the Company has paid insurance premiums of $45,452 in respect of directors' and officers' liability and legal expenses insurance for directors, the Company Secretary and officers including senior executives of the Company and its subsidiaries.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

13. NON-AUDIT SERVICES

During the reporting period, Ernst and Young, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the reporting period by the auditor in accordance with written advice provided by resolution of the Audit Committee and except as noted below, is satisfied that the provision of those non-audit services during the reporting period by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' Report (continued)

13. NON-AUDIT SERVICES (continued)

During the reporting period the Company changed its auditor from KPMG to Ernst & Young who were appointed on 23 January 2014.

Details of the amounts paid to the auditor of the Company, Ernst & Young, and its related practices for audit and non-audit services provided during the reporting period are set out below.

	Consolidated	
	30 June 2014	30 June 2013
Audit services:	$	$
Auditors of the Company		
Audit and review of financial reports – Ernst & Young	120,000	-
Audit and review of financial reports - KPMG	-	161,818
	120,000	161,818
Services other than statutory financial report audit:		
Auditors of the Company		
Other services		
Taxation services and advice – Ernst & Young	51,125	
Taxation Services – KPMG	55,250	
Due diligence services – KPMG	6,500	113,970
	112,875	113,970

14. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 22 and forms part of the directors' report for the financial year ended 30 June 2014.

16. INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

17. ENVIRONMENTAL REGULATION AND PERFORMANCE

There have been no significant known breaches by the consolidated entity of environmental regulations to which it is subject.

This report is made in accordance with a resolution of the directors:

Dated at Canberra on this 28th day of August 2014.

Mr C Alexander
Managing Director

Ernst & Young
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Perth WA 6000 Australia
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Auditor's Independence Declaration to the Directors of CIC Australia Limited

In relation to our audit of the financial report of CIC Australia Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

Peter McIver

Peter McIver
Partner
28 August 2014

Consolidated Financial Statements

Statement of profit and loss and other comprehensive income

For the year ended 30 June 2014

In thousands of AUD	*Note*	1 July 2013 to 30 June 2014	1 January to 30 June 2013
Revenue	*6*	59,715	16,470
Cost of sales	*14*	(35,601)	(8,534)
Gross profit		24,114	7,936
Other income	*7*	1,744	584
Share of profit of equity accounted investees (net of tax)	*16*	14,516	6,550
Property selling and holding expenses		(4,218)	(1,600)
Corporate and administrative expenses	*8*	(16,376)	(10,879)
Project investigation expenses		(555)	(73)
Results from operating activities		19,225	2,518
Finance income	*10*	1,015	473
Finance expenses	*10*	(3,615)	(1,845)
Net finance (expense)		(2,600)	(1,372)
Profit before income tax		16,625	1,146
Income tax (expense)/benefit	*11*	(2,482)	2,412
Profit for the year		**14,143**	**3,558**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year net of tax		**14,143**	**3,558**
Earnings per share			
Basic earnings per share (AUD)	*25*	0.11	0.03
Diluted earnings per share (AUD)	*25*	0.11	0.03

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

Statement of financial position

As at 30 June 2014

In thousands of AUD

	Note	2014	2013
Assets			
Cash and cash equivalents	*12*	9,969	8,869
Trade and other receivables	*13*	14,392	19,794
Inventories	*14*	66,413	25,441
Prepayments and accrued income		1,665	995
Total current assets		**92,439**	**55,099**
Trade and other receivables	*13*	-	86
Inventories	*14*	15,064	38,450
Investments in equity accounted investees	*16*	41,353	68,732
Other investments		25	25
Deferred tax assets	*15*	6,653	9,135
Property, plant and equipment	*17*	3,183	2,668
Intangible assets	*18*	232	238
Total non-current assets		**66,510**	**119,334**
Total assets		**158,949**	**174,433**
Liabilities			
Trade and other payables	*19*	16,536	12,286
Loans and borrowings	*20*	33,670	64,312
Employee benefits	*21*	3,038	2,150
Total current liabilities		**53,244**	**78,748**
Trade and other payables	*19*	168	219
Loans and borrowings	*20*	32	4,100
Employee benefits	*21*	371	415
Provisions	*23*	139	99
Total non-current liabilities		**710**	**4,833**
Total liabilities		**53,954**	**83,581**
Net assets		**104,995**	**90,852**
Equity			
Share capital	*24*	62,630	62,630
Reserves	*24*	472	472
Retained earnings		41,893	27,750
Total equity		**104,995**	**90,852**

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

Statement of changes in equity

For the year ended 30 June 2014

Consolidated *In thousands of AUD*	**Share capital**	**Share option reserve**	**Retained earnings**	**Total equity**
Balance as at 1 January 2013	62,088	626	27,808	90,522
Profit for the period	-	-	3,558	3,558
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	3,558	3,558
Equity settled transactions	542	-	-	542
Transfers to retained earnings	-	(154)	158	4
Dividends to shareholders	-	-	(3,774)	(3,774)
Balance as at 30 June 2013	**62,630**	**472**	**27,750**	**90,852**
Balance at 1 July 2013	62,630	472	27,750	90,852
Profit for the period	-	-	14,143	14,143
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	14,143	14,143
Equity settled transactions	-	-	-	-
Transfers to retained earnings	-	-	-	-
Dividends to shareholders	-	-	-	-
Balance as at 30 June 2014	**62,630**	**472**	**41,893**	**104,995**

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated Financial Statements

Statement of cash flows

For the year ended 30 June 2014

In thousands of AUD	***Note***	**1 July 2013 to 30 June 2014**	**1 January to 30 June 2013**
Cash flows from operating activities			
Cash receipts from customers		73,816	19,087
Cash paid to suppliers and employees		(74,550)	(23,867)
Cash generated from operations		(734)	(4,780)
Distributions from joint ventures		17,896	2,876
Interest paid		(1,358)	(781)
Net cash (used in) operating activities	***31***	**15,804**	**(2,685)**
Cash flows from investing activities			
Interest received		102	36
Refund of capital from equity accounted investments		24,000	-
Acquisition of property, plant and equipment		(980)	(527)
Payments for investments		-	(930)
Payments for JV entity		-	(428)
Loan to JV entity		(200)	(4,923)
Distributions from joint venture entities		7	-
Net cash (used in) investing activities		**22,929**	**(6,772)**
Cash flows from financing activities			
Repayment of borrowings		(99,457)	(14,417)
Proceeds from borrowings		61,824	30,251
Proceeds from exercise of share options		-	542
Dividends paid		-	(3,774)
Net cash from financing activities		**(37,633)**	**12,602**
Net increase in cash and cash equivalents		1,100	3,145
Cash and cash equivalents at 1 July		8,869	5,724
Cash and cash equivalents at 30 June	***12***	**9,969**	**8,869**

The consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements (continued)

1. Reporting entity

CIC Australia Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the period 1 July 2013 to 30 June 2014 ("period") comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity.

2. Basis of preparation

a) Statement of compliance

The general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 28 August 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain share based payments which are recorded at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of all the entities within the Group.

d) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are in the areas of assessing the accounting treatment of joint arrangements (i.e. joint operations or joint ventures) and revenue recognition.

Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognised are in the areas of employee long service leave, measurement of share based payments and the recoverability of investments and inventories.

Consolidation of a structured entity

The company owns 80% of shares in Crace Developments Pty Ltd, which is accounted for using equity accounting. The company does not have control of Crace Developments Pty Ltd due to its constitution stipulating that management decisions affecting the operations of the company are jointly made.

Development costs

Development costs are capitalised as inventories when they are recoverable from the future, measurable economic benefits of a project. Project budgets are reviewed regularly and judgements are made in relation to the costs to complete the project. This may impact on the accrued development costs for a project.

Notes to the Consolidated Financial Statements (continued)

d) Use of estimates and judgements (continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense recorded. The Company establishes provisions, based on reasonable estimates. The amount of such provisions is based on interpretations of current tax law and tax rulings by the responsible tax authority.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 3 (l) and Note 15.

e) Change of financial year end

During the period 1 January to 30 June 2013 the financial year end of the Company and the controlled entities within the Group was changed from 31 December to 30 June to align with the ultimate parent's (PEET) reporting period. Accordingly the comparative reporting period is 1 January to 30 June 2013. These are therefore not directly comparable with the current reporting period.

f) Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to pay its debts as and when they fall due, including meeting the mandatory repayment terms of the banking facilities and the other loan facilities as disclosed in Note 20.

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary;
- de-recognises the carrying amount of any non-controlling interests;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; or
- reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Consolidated Financial Statements (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of an entity, generally accompanying a shareholding of more than one half of the voting rights. In assessing control, the existence and effect of potential voting rights that currently are exercisable are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Joint Ventures are joint arrangements whereby the parties that have joint control of the arrangements have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities requires unanimous consent of the parties sharing control.

Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The consolidated financial statements includes the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Joint operations

When the Group has rights to the assets and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation. To the extent the joint arrangement provides the Group rights to the individual asset and obligations arising from joint arrangement, the arrangement is classified as a joint operation and as such the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of output arising from the joint operation; and
- expenses, including its share of any expenses incurred jointly.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised when the contributed assets are sold by the equity accounted investees or, if not sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

Notes to the Consolidated Financial Statements (continued)

(b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The non-derivative financial assets of the Group consist of loans and receivables and cash and cash equivalents.

<u>Loans and receivables</u>
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 3(f)(i)).

Loans and receivables comprise trade and other receivables.

<u>Cash and cash equivalents</u>
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the date the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Non-derivative financial liabilities of the Group consist of loans and borrowings and trade and other payables.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Share capital

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Notes to the Consolidated Financial Statements (continued)

(c) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount and are recognised net in profit or loss.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Plant and equipment 2 – 10 years
- Fixtures and fittings 3 – 10 years
- Motor vehicles 7 years
- Leasehold improvements 10 years
- Display homes 6 years

Depreciation methods, useful lives and residual values are reassessed annually at each reporting date.

(d) Intangible assets

Intangible assets consist of intellectual property for designs of terrace products that can be used in exchange for a licence fee by builders and the public in our Lightsview Joint Venture project.

Intangible assets acquired by the Group have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Intangible assets are amortised on a straight-line basis in the profit or loss over their estimated useful lives, from the date that they are available for use.

The estimated useful lives are as follows:

- Design development 6 years

Notes to the Consolidated Financial Statements (continued)

(e) Inventories

Land/buildings held for development and resale are stated at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs such as borrowing costs incurred in acquiring and bringing the inventory to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Current inventory is defined as land/buildings registered and available for sale, or intended to be available for sale within the next twelve months. Non-current inventory is all other inventory not classified as current.

(f) Impairment

(i) Financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably measured.

The Group considers evidence of impairment for receivables at both a specific asset and collective level, grouped by similar risk characteristics. All individually significant receivables are assessed for specific impairment.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the assets effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements (continued)

(g) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the services are rendered by employees.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods, plus related on-costs. The benefit is discounted to determine its present value.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(iv) Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense with a corresponding increase in equity, over the period that the employee unconditionally becomes entitled to the awards.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

(h) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of any duties or taxes paid. Revenue is recognised for major business activities as follows:

(i) Sale of Inventory

Revenue from the sale of land, homes and apartments in the ordinary course of business is recognised when risks and rewards have been transferred and the Group retains neither continuing managerial involvement to the extent associated with ownership nor effective control over the property. This is usually considered to occur on settlement.

(ii) Services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the work performed.

(i) Revenue (continued)

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in the transaction, the revenue recognised is the net amount of commission made by the Group. Commissions are recognised at the time of settlement of the underlying sale.

(j) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense and spread over the term of the lease.

(k) Finance income and expenses

Financial income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets. Borrowing costs are recognised in profit or loss using the effective interest method and are expensed as incurred unless it relates to a qualifying asset. In these circumstances, borrowing costs are capitalised to the cost of the asset, using a weighted average capitalisation rate.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the Consolidated Financial Statements (continued)

(l) Income tax

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is CIC Australia Limited.

(m) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees.

(o) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, identified as the CEO.

The Group has one reportable segment, property development which is the Group's strategic business unit. The CEO reviews internal management reports for the strategic business unit on a monthly basis. This information is used to make decisions about resources to be allocated and assess its performance. Property development includes the acquisition, development and sale of real estate, predominantly in the residential sector.

(p) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Notes to the Consolidated Financial Statements (continued)

(q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 30 June 2014, and have not been applied in preparing these consolidated financial statements. Those standards which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- **AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009).** AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9(2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirement of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2009 and 2010) is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Group has not yet assessed the impact of this standard on its financial instruments.

- **AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.** AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. AASB 2013-3 is effective for annual periods beginning on or after 1 July 2014. The Group has not yet assessed the impact of this standard on its financial instruments.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. Financial Risk Management

The Group's activities expose it to a variety of financial risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- interest rate risk; and
- operational risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout this financial report.

Notes to the Consolidated Financial Statements (continued)

5. Financial Risk Management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Audit Committee is responsible for developing and monitoring the Group's risk management policies and procedures and reviews their adequacy.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor these risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer to a financial instrument fails to meet its contractual obligations.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group does not hold any credit derivatives to offset its credit exposure.

The Group minimises concentrations of credit risk by:

1. undertaking transactions with a large number of customers in various locations around Australia;
2. transacting with credit worthy counterparts that have an appropriate credit history;
3. performing ongoing checks to ensure settlement terms detailed in individual contracts are adhered to; and
4. regularly monitoring the performance of its associates, joint ventures and third parties.

The Group is not materially exposed to any individual customer.

The Group's primary receivables are customers who enter into binding contracts for the sale of property. Title on these properties does not pass to the customer until the contract has been paid in full. Receivables for these sales are not recognised until settlement of the property has occurred and as such there are no significant concentrations of credit risk within the Group. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

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

Prudent liquidity risk management involves maintaining sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Due to the dynamic nature of the underlying business, comprehensive cash flow reviews and forecasts are monitored monthly to ensure sufficient cash reserves are available.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

Notes to the Consolidated Financial Statements (continued)

5. Financial Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates and market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of interest risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 20.

At balance date, the Group had cash and cash equivalents of $9,969 thousand and borrowings of $33,702 thousand exposed to Australian Variable Interest rate risk that are not designated in cash flow hedges. There were no borrowings on a fixed rate basis. The Group will continue to consider, in the next reporting period, managing its finance costs using a mix of fixed and variable rate debt in an attempt to limit its cash flow volatility arising from interest rate changes.

Operational risk

The Board's aim is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as results from operating activities divided by total shareholders' equity. The Board views total shareholder's equity as capital incorporating share capital, retained earnings and reserves.

There were no changes in the Group's approach to capital management during the reporting period.

6. Segment reporting

The Group has one reportable segment, being property development which is the Group's strategic business unit. The CEO reviews internal management reports for the strategic business unit on a monthly basis. The internal management reports are prepared on a basis consistent with Australian Accounting Standards, and thus no additional disclosures in relation to revenue, profit or loss, assets and liabilities and other material items have been made. Property development includes the acquisition, development and sale of real estate property, predominantly in the residential sector. The Group's operations are located in Australia only.

In thousands of AUD

Revenue from external customers is comprised of:	*Note*	**1 July 2013 to 30 June 2014**	**1 January to 30 June 2013**
Sales		46,005	10,535
Services		9,415	4,407
Commissions		4,295	1,528
		59,715	16,470

7. Other income

In thousands of AUD

Rental received		432	261
Design assessment fees		1,104	323
Other		208	-
		1,744	584

8. Personnel expenses

In thousands of AUD

The corporate and administrative expenses include the following personnel expenses:			
- Wages, salaries, increase in employee liabilities and other miscellaneous personnel costs		11,016	5,645
- Contributions to defined contribution plans	*21*	715	399
- Share-based payment transactions		-	(25)
		11,731	6,019

Notes to the Consolidated Financial Statements (continued)

9. Depreciation and amortisation expenses

In thousands of AUD	1 July 2013 to 30 June 2014	1 January to 30 June 2013
Depreciation expense	546	435
Amortisation expense	49	286
	595	721

10. Finance income and expense

In thousands of AUD		
Interest income on bank deposits	73	27
Interest income on receivables	922	443
Interest – other	20	3
Finance income	1,015	473
Interest expense on financial liabilities measured at amortised cost	(4,625)	(2,118)
Less: interest capitalised	1,010	273
Finance expense	(3,615)	(1,845)
Net finance (expense)	(2,600)	(1,372)

11. Income tax expense/(benefit)

In thousands of AUD		
Current tax expense/(benefit)		
Current period	2,673	(3,024)
Tax losses utilised	(2,669)	-
Franking credits converted to losses	-	(1,071)
Under/over provision in prior year	(4)	(388)
	-	(4,483)
Deferred tax expense		
Origination and reversal of temporary differences	2,464	2,071
Under/over provision in prior year	18	-
	2,482	2,071
Total income tax expense/(benefit)	2,482	(2,412)

Reconciliation between tax expense and pre-tax accounting profit

Profit before income tax	16,625	1,146
Income tax using the Company's domestic tax rate of 30% (2013:30%)	4,987	344
Non-deductible expenses	28	2
Equity accounted (income) from investees	(2,652)	(1,323)
Other non-assessable income	-	(11)
(De-recognition) of temporary difference	102	(286)
Under/(over) provision prior year	17	(388)
Rebateable dividends	-	(750)
	2,482	(2,412)

12. Cash and cash equivalents

In thousands of AUD	30 June 2014	30 June 2013
Cash at bank and in hand	9,969	8,869
Cash and cash equivalents	9,969	8,869

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 26.

Notes to the Consolidated Financial Statements (continued)

13. Trade and other receivables

In thousands of AUD	30 June 2014	30 June 2013
Current		
Trade receivables	3,364	2,900
Other	-	6,722
Receivables due from equity accounted investees	11,028	10,172
	14,392	19,794
Non-current		
Receivables due from equity accounted investees	-	86
	-	86

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in Note 26.

14. Inventories

In thousands of AUD	30 June 2014	30 June 2013
Current		
Work in progress	51,351	1,073
Finished goods	15,062	24,368
	66,413	25,441
Non-current		
Work in progress	15,064	38,450
	81,477	63,891

For the period 1 July 2013 to 30 June 2014 inventories recognised as cost of sales for the Group amounted to $35,601 thousand (1 January to 30 June 2013: $8,534 thousand).

For the period 1 July 2013 to 30 June 2014 borrowing costs recognised in Inventory amounted to $1,010 thousand (1 January to 30 June 2013: $1,448 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was 6.49%, which is the effective interest rate of specific borrowings.

During the period a write down to net realisable value of $nil thousand (30 June 2013: $nil thousand) was recognised in relation to inventory.

15. Tax assets and liabilities

Current tax assets and liabilities

During the year $2,673 thousand (2013: $nil) carry forward tax losses were utilised, resulting in nil tax asset / liability at 30 June 2014 (2013: nil).

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Accruals	(1,728)	(209)	475	-	(1,253)	(209)
Capitalised interest	-	-	2,176	1,448	2,176	1,448
Provisions	(1,027)	(534)	-	-	(1,027)	(534)
Other items	(3,360)	(4,342)	3,421	3,785	61	(557)
Tax loss carry-forwards	(6,610)	(9,283)	-	-	(6,610)	(9,283)
Tax (assets) / liabilities	(12,725)	(14,368)	6,072	5,233	(6,653)	(9,135)

Notes to the Consolidated Financial Statements (continued)

15. Tax assets and liabilities (continued)

Movement in temporary differences during the period

In thousands of AUD	Balance 1 July 13	Recognised in profit or loss	Recognised in equity	Balance 30 June 14
Accruals	(209)	(1,044)	-	(1,253)
Provisions	(534)	(493)	-	(1,027)
Other items	(558)	580	-	22
Tax loss carry-forwards utilised	(9,283)	2,673	-	(6,610)
Capitalised interest	1,449	766	-	2,215
Net deferred tax (asset)/liability	(9,135)	2,482	-	(6,653)

In thousands of AUD	Balance 1 Jan 13	Recognised in profit or loss	Recognised in equity	Balance 30 June 13
Accruals	(102)	(107)	-	(209)
Provisions	(588)	54	-	(534)
Other items	(2,594)	2,036	-	(558)
Tax loss carry-forwards utilised	(4,800)	(4,483)	-	(9,283)
Capitalised interest	1,359	90	-	1,449
Net deferred tax (asset)/liability	(6,725)	(2,410)	-	(9,135)

Notes to the Consolidated Financial Statements (continued)

16. Equity accounted investees

The Group has investments in a number of jointly controlled entities involved in the development of land in Australia. The Group's interest in its jointly controlled entities is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint ventures and reconciliation with the carrying amount of the investment in the consolidated financial statements is set out below.

	30 June 2014			30 June 2013		
In thousands of AUD	Crace Developments Pty Ltd ***	Googong Township Unit Trust	Other Joint Ventures ^^	Crace Developments Pty Ltd ***	Googong Township Unit Trust	Other Joint Ventures^^
Current assets*	14,314	31,941	2,077	47,001	28,995	3,113
Non-current assets	1,207	103,417	515	14,809	83,801	4,495
Current liabilities**	(3,653)	(72,318)	(422)	(5,928)	(31,246)	(2,327)
Non-current liabilities^	-	(2)	-	(4,803)	(29,600)	(2)
Equity	11,868	63,038	2,170	51,079	51,950	5,279
Proportion of the group's ownership	80%	50%	40% - 50%	80%	50%	40% - 50%
Carrying amount of investment pre adjustments	9,494	31,519	1,083	40,863	25,975	2,637
Adjustment on conversion to investment	-	(743)	-	-	(743)	-
Carrying value	**9,494**	**30,776**	**1,083**	**40,863**	**25,232**	**2,637**
*Includes cash and cash equivalents	4,423	10,162	654	6,329	7,737	2,164
**Includes current financial liabilities	-	(60,656)	(400)	-	(20,343)	-
^Non-current financial liabilities	-	-	-	(466)	(29,600)	-

Summarised statement of profit or loss

In thousands of AUD	1 July 2013 to 30 June 2014			1 January 2013 to 30 June 2013		
Revenue (excluding interest)	17,717	72,605	(2,046)	4,760	57	11,064
Interest revenue	2,286	182	11	1,110	-	12
Interest expense	-	(636)	-	-	-	-
Other expenses	(2,781)	(61,035)	(131)	(185)	(823)	(102)
Income tax (expense) / benefit	(5,109)	(29)	728	(1,857)	63	(3,296)
Profit / (loss) from continuing operations	**12,113**	**11,087**	**(1,438)**	**3,828**	**(703)**	**7,678**
Profit / (loss) from discontinuing operations	-	-	-	-	-	-
Total comprehensive income	**12,113**	**11,087**	**(1,438)**	**3,828***	**(703)**	**7,678**
Group's share of profit / (loss)	**9,690**	**5,544**	**(718)**	**3,062**	**(352)**	**3,840**

Notes to the Consolidated Financial Statements (continued)

16. Equity accounted investees (continued)

*** Despite having 80% ownership of Crace Developments Pty Limited, this entity is equity accounted on consolidation as the partnership agreements requires joint control of the financial and operating activities of the entity.

^^ Other Joint Ventures above includes Forde Developments Pty Limited (50% interest), Lyons Joint Venture (50% interest) and CBT Joint Venture (40% interest).

Contingent liabilities for joint ventures have been disclosed in Note 29 Contingent liabilities. There are no other commitments for joint ventures that do not relate to the purchase or development of inventory.

During the reporting period no impairment losses were recognised by the Group for equity accounted investees (2013: loss of $nil). Each joint venture is established as a project specific entity to develop project land with external joint venture partners.

During the year ending 30 June 2014 dividends amounting to $837,500 were received from Forde Developments Pty Limited and dividends amounting to $17,146,079 were received from Crace Developments Pty Limited. There dividends were fully franked.

17. Property, plant and equipment

In thousands of AUD	Buildings and leasehold improvements	Plant and equipment	Other fixed assets	Total
Cost				
Balance at 1 January 2013	2,157	61	2,565	4,783
Additions	164	-	297	461
Disposals	(20)	-	(12)	(32)
Balance at 30 June 2013	**2,301**	**61**	**2,850**	**5,212**
Balance at 1 July 2013	2,301	-	2,850	5,151
Additions	942	-	122	1,064
Disposals	-	-	(24)	(24)
Balance at 30 June 2014	**3,243**	**-**	**2,948**	**6,191**
Depreciation and impairment losses				
Balance at 1 January 2013	832	61	1,387	2,280
Depreciation for the year	88	-	198	286
Disposals	(20)	-	(2)	(22)
Balance at 30 June 2013	**900**	**61**	**1,583**	**2,544**
Balance at 1 July 2013	900	-	1,583	2,483
Depreciation charge for the reporting period	178	-	368	546
Disposals	-	-	(21)	(21)
Balance at 30 June 2014	**1,078**	**-**	**1,930**	**3,008**
Carrying amounts				
At 30 June 2013	1,401	-	1,267	2,668
At 30 June 2014	**2,165**	**-**	**1,018**	**3,183**

Other fixed assets

Other fixed assets above comprise fixtures and fittings and owned motor vehicles.

Notes to the Consolidated Financial Statements (continued)

18. Intangible assets

In thousands of AUD	Design Development	Total
Cost		
Balance at 1 January 2013	198	198
Additions	76	76
Balance at 30 June 2013	**274**	**274**
Balance at 1 July 2013	274	274
Additions	43	43
Balance at 30 June 2014	**317**	**317**
Amortisation and impairment losses		
Balance at 1 January 2013	16	16
Amortisation for the year	20	20
Balance at 30 June 2013	**36**	**36**
Balance at 1 July 2013	36	36
Amortisation charge for the reporting period	49	49
Balance at 30 June 2014	**85**	**85**
Carrying amounts		
At 30 June 2013	238	238
At 30 June 2014	**232**	**232**

19. Trade and other payables

In thousands of AUD	30 June 2014	30 June 2013
Current liabilities		
Trade payables	4,139	1,592
Non-trade payables	3,488	560
Accrued expenses	8,909	10,134
	16,536	12,286
Non-current liabilities		
Non-trade payables	168	219
	168	219

The Groups exposure to liquidity risk related to trade and other payables is included in note 26.

Notes to the Consolidated Financial Statements (continued)

20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and liquidity risk, see note 26.

In thousands of AUD	30 June 2014	30 June 2013
Current liabilities		
Secured bank loans	26,541	29,148
Loan from equity accounted investee	7,129	35,164
	33,670	64,312
Non-current liabilities		
Secured bank loans	32	4,100
	32	4,100

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of AUD			30 June 2014		30 June 2013	
	Nominal interest rate	Year of maturity	Face Value	Carrying amount	Face Value	Carrying amount
Secured bank loans	4.34%	2015	26,573	26,573	33,248	33,248
Loan from equity accounted investee	7.00%	2014	7,129	7,129	35,164	35,164
Total interest-bearing liabilities			33,702	33,702	68,412	68,412

Financing arrangements

Bank loans

During the year ended 30 June 2014 the group renegotiated its major banking facility to expire on 1 July 2015. This facility is secured by a first registered fixed and floating charge over the assets and undertakings of the Company and its subsidiaries. Under this facility the Company is required to meet bank covenants relating to interest cover, tangible assets coverage and total bank debt. All bank covenants have been met during the reporting period and as at 30 June 2014.

In line with the Group's strategy to lower gearing, the banking facility will be fully repaid by 1 July 2015.

The Group also has project specific funding for a major development. The security for these facilities is a first registered property mortgage over the existing interest in the land.

The bank loan amount in current liabilities comprises the portion of the Group's bank loans payable within one year of $26,541 thousand (2013: $29,148 thousand).

Notes to the Consolidated Financial Statements (continued)

21. Employee benefits

In thousands of AUD

	30 June 2014	30 June 2013
Current		
Short term employee benefits	1,502	883
Liability for leave	1,536	1,267
Total employee benefits – current	3,038	2,150
Non-current		
Liability for leave	371	415
Total employee benefits – non-current	371	415

Defined contribution plans

The Group makes contributions to various superannuation plans, all defined contribution plans. The amount recognised as an expense was $715 thousand for the year ended 30 June 2014 (1 January to 30 June 2013: $399 thousand).

22. Share-based payments

During the year ended 30 June 2014 the Group had the following share based payment arrangements aimed at the retention of senior staff by offering a reward opportunity to drive the growth strategy of the Group.

Option plan (equity-settled)

An Option Plan was approved by members on 20 May 2008 and entitles KMP and senior employees to purchase shares in the Company. No grant was offered to employees under this plan during 2014 (2013: nil). No options were exercised during or subsequent to the year ended 30 June 2014 (2013: 800,000 options were exercised with an exercise price $0.42; 200,000 options were exercised with an exercise price of $0.51 and 200,000 options were exercised with an exercise price of $0.52). In accordance with the terms and conditions of this plan, options are exercisable at the market price of the shares at the date of grant. Once vested, the options remain exercisable for two years.

Share appreciation rights (cash-settled)

The Awards Plan under which share appreciation rights (SAR's) are issued was approved by members on 20 May 2008. During the reporting period no SAR's were issued to employees under this plan (2013: nil). The SAR's entitle the holder to a future cash payment based on the increase in the share price of the Company between grant date and vesting date. There are no SARs on issue at 30 June 2014. No SARS were exercised during the year ended 30 June 2014 (2013: 240,000 SARS were exercised). Once vested, SAR's remain exercisable for two years.

All options are to be settled by the physical delivery of shares after receipt of the exercise price, while SAR's are settled in cash. There are no SARs or options on issue at 30 June 2014.

The number and weighted average exercise prices of share options is as follows:

In thousands of options	Weighted average exercise price 1 July 2013 to 30 June 2014	Number of options 1 July 2013 to 30 June 2014	Weighted average exercise price 1 January to 30 June 2013	Number of options 1 January to 30 June 2013
Outstanding at 1 January	-	1,250	$0.76	3,170
Granted during the period	-	-	-	-
Exercised during the period	-	-	$0.45	(1,200)
Forfeited during the period	-	-	$0.70	(720)
Expired during period	$1.10	(1,250)	-	-
Outstanding at 30 June	-	-	$1.10	1,250
Exercisable at 30 June	-	-	$1.10	1,250

Notes to the Consolidated Financial Statements (continued)

22. Share-based payments (continued)

There are no options outstanding at 30 June 2014 (30 June 2013: $1.10 and a weighted average contractual life of 1 month). No options were exercised during the year ended 30 June 2014 (2013: 1,200,000 with an exercise price between $0.42 and $0.52). 1,250,000 options expired during the year ended 30 June 2014 (2013: nil) and no options were forfeited (2013: 720,000). No options have been issued or exercised since the end of the financial year.

Share options are granted under a service condition but have no performance conditions.

Employee expenses

In thousands of AUD	***Note***	**30 June 2014**	**30 June 2013**
Share options granted in 2010		-	4
Expense arising from SAR's granted in 2010		-	2
Total expense recognised as employee costs		-	6
Carrying amount of liabilities for cash-settled arrangements		-	-

The fair value of SAR's at grant date is determined using the Black-Scholes formula. The fair value of the liability is remeasured at each reporting date and at settlement date. Expected volatility is estimated by considering historic average share price volatility.

23. Provisions

In thousands of AUD	**Fit out make good**	**Total**
Balance at 1 July 2013	99	99
Provisions made during the period	40	40
Balance at 30 June 2014	**139**	**139**
Current	-	-
Non-current	139	139
	139	**139**

Fit-out make good

A provision has been created to reflect the obligation to make good the fit out at the head office in Canberra and regional office in Adelaide.

Notes to the Consolidated Financial Statements (continued)

24. Capital and reserves

Share capital

In thousands of shares	Company Ordinary shares	
	30 June 2014	**30 June 2013**
On issue at 1 July 2013 / 1 January 2013	126,991	125,791
Issued to staff under employee option plan	-	1,200
On issue at 30 June 2014 / 30 June 2013 – fully paid	126,991	126,991

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. The Company does not have authorised capital or par value in respect of its issued shares.

Share option reserve

The share option reserve comprises the fair value of the options previously issued under the Option Plan and Awards Plan. The fair value is expensed in line with vesting conditions attached to the options and rights.

Dividends

No Dividends were recognised in the reporting period by the Company.

No dividends have been proposed subsequent to 30 June 2014.

Dividend franking account

In thousands of AUD	**30 June 2014**	**30 June 2013**
30% franking credits available to shareholders of CIC Australia Limited for subsequent financial years	22,200	14,530

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities/(receivables);
(b) franking debits that will arise from the payment/(receipt) of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated Group at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Notes to the Consolidated Financial Statements (continued)

25. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $14,143 thousand (30 June 2013: $3,558 thousand) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2014 of 126,991 thousand (1 January to 30 June 2013: 125,963 thousand), calculated as follows:

Profit attributable to ordinary shareholders	Consolidated	
In thousands of AUD	**1 July 2013 to 30 Jun 2014**	**1 January to 30 Jun 2013**
Net profit for the period	14,143	3,558
Net profit attributable to ordinary shareholders	14,143	3,558

Weighted average number of ordinary shares			
In thousands of shares	***Note***	**30 June 2014**	**30 June 2013**
Issued ordinary shares at 1 July / 1 January	*24*	126,991	125,791
Effect of shares issued in Employee share plan		-	172
Weighted average number of ordinary shares at 30 June		126,991	125,963

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $14,143 thousand (30 June 2013: $3,558 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 126,991 thousand (30 June 2013: 125,963 thousand) calculated as the basic weighted average number of shares. There are no options on issue to dilute the weighted average number of shares. During the period 1 January 2013 to 30 June 2013 1,250 thousand options were excluded from the diluted weighted average number of shares calculation as their effect would have been anti-dilutive.

26. Financial instruments

Credit risk

The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various locations around Australia. The Group is not materially exposed to any individual customer. At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet as shown below.

		Carrying Amount	
In thousands of AUD	***Note***	**30 June 2014**	**30 June 2013**
Trade and other receivables	*13*	3,364	9,708
Receivable due from equity accounted investees	*13*	11,028	10,172
Cash and cash equivalents	*12*	9,969	8,869
		24,361	28,749

The Group's maximum exposure to credit risk for trade and other receivables at reporting date were all located within Australia. The Group's maximum exposure to credit risk for trade and other receivables at reporting date totals $3,364 thousand (30 June 2013: $9,708 thousand). Based on historic default rates, the Group believes no impairment allowance is necessary in respect of trade receivables not past due date or past due date by up to 30 days.

Notes to the Consolidated Financial Statements (continued)

26. Financial instruments (continued)

Credit risk (continued)

The aging of the Group's loans and receivables at the reporting date was:

	Gross	
	30 June 2014	30 June 2013
Not past due	14,392	19,880
	14,392	19,880

Of the loans and receivables $11,028 thousand (30 June 2013: $10,172 thousand) is receivable from equity accounted investees.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

In thousands of AUD	30 June 2014 Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years
Non-derivative financial liabilities					
Secured loans:					
Floating rate loan	33,702	(34,475)	(7,214)	(27,227)	(34)
Trade and other payables	16,704	(16,704)	(16,536)	-	(168)
	50,406	(51,179)	(23,750)	(27,227)	(202)

In thousands of AUD	30 June 2013 Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years
Non-derivative financial liabilities					
Secured loans:					
Floating rate loan	68,412	(72,395)	(5,974)	(62,208)	(4,213)
Trade and other payables	12,506	(12,505)	(12,286)	-	(219)
	80,918	(84,900)	(18,260)	(62,208)	(4,432)

Management assess that cash, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Interest rate risk

Profile

At the reporting date the interest profile of the Group's interest-bearing financial instruments was:

In thousands of AUD	30 June 2014	30 June 2013
Variable rate instruments		
Financial assets	20,997	25,302
Financial liabilities	(33,702)	(68,412)
	(12,705)	(43,110)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (30 June 2013:100 basis points) in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant and that no part of the interest is capitalised into qualifying assets. The analysis is performed on the same basis for 2013.

Notes to the Consolidated Financial Statements (continued)

26. Financial instruments (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

Effect in thousands of AUD	Profit or loss before tax		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2014				
Variable rate instruments - cash flow sensitivity	(574)	574	(402)	402
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2013				
Variable rate instruments - cash flow sensitivity	(264)	264	(184)	184

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

In thousands of AUD	*Note*	Carrying amount 1 July 2013 to 30 June 2014	Fair value 1 July 2013 to 30 June 2014	Carrying amount 1 January to 30 June 2013	Fair value 1 January to 30 June 2013
Trade and other receivables	*13*	3,364	3,364	9,708	9,708
Loans to equity accounted investees	*13*	11,028	11,028	10,172	10,172
Cash and cash equivalents	*12*	9,969	9,969	8,869	8,869
Secured bank loans/bills	*20*	(33,702)	(33,702)	(68,412)	(68,412)
Trade and other payables	*19*	(16,704)	(16,704)	(12,505)	(12,505)
		(26,045)	(26,045)	(52,168)	(52,168)

The basis for determining fair values is disclosed in Note 4. Management assesses that the fair value of cash, trade receivables and trade payables are a reasonable approximation of the carrying amounts due to the short term maturities of these investments. Carrying amount of loans to equity accounted investees approximates fair values because the underlying assets are stated at fair values.

Notes to the Consolidated Financial Statements (continued)

27. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
In thousands of AUD	**30 June 2014**	**30 June 2013**
Less than one year	1,323	1,278
Between one and five years	2,033	1,964
	3,356	3,242

The Group leases property for its head office under a non-cancellable operating lease expiring on 14 April 2016 with an option for a further 3 years and an office in South Australia expiring on 30 April 2017 with an option for 2 further renewals of 3 years each. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. The head office lease provides for an increase in rent of 3.5% per annum and the South Australia lease provides for an increase by 3.5% per annum on the anniversary date of the lease.

For the reporting period, part of the head office lease has been sublet. CIC Australia Ltd surrendered the part of the lease that is being sub-let on 4 July 2014. Refer to note 34.

During the year ended 30 June 2014, $1,134 thousand was recognised as an expense in profit or loss in respect of operating leases (1 January to 30 June 2013: $561 thousand).

Leases as lessor

The Group leases out one floor of its head office leased property. The future minimum lease payment under non-cancellable leases are as follows:

	Consolidated	
In thousands of AUD	**30 June 2014**	**30 June 2013**
Less than one year	347	334
Between one and five years	282	629
	629	963

28. Capital and other commitments

In respect of the Group's interest in various joint arrangements, the Group is required to inject capital over the course of these projects as and when required.

The Group has a receivable commitment for 30 June 2014 for $629 thousand (30 June 2013: $963 thousand) for rental receivable under a lease.

There are no other commitments within the Group that do not relate to the purchase or development of inventory.

Notes to the Consolidated Financial Statements (continued)

29. Contingencies

As at 30 June 2014 an equity accounted investee Forde Joint Venture (through Forde Developments Pty Limited) has a contingent liability to the Land Development Agency (LDA) for development services rendered. At this stage the timing is not known and the amount is unquantifiable, however, it could be in the range of $0 to $3.5m. This liability relates to a dispute with the Australian Taxation Office for GST with whom the LDA transacts. The outcome of this dispute may impact the Joint Venture and the amount of development services that it has charged. The LDA intends to defend the matter vigorously.

Other than the above, there were no other significant material contingent liabilities as at reporting date.

The Company has in place Contract Performance Bond Facilities, there are outlined in the table below

In thousands of AUD	Facility Limit 30 June 2014 $	Utilised 30 June 2014 $	Facility Limit 30 June 2013 $	Utilised 30 June 2013 $
Insurance bonds	19,800	9,431	19,800	5,200
Guarantees	7,678	4,959	10,257	7,581

All terms of the facilities were met during the year ended 30 June 2014.

30. Group entities

	Country of Incorporation	Ownership interest % 30 June 2014	Ownership interest % 30 June 2013
Parent entity			
CIC Australia Limited	Australia		
Significant subsidiaries			
CIC Projects Pty Limited	Australia	100	100
CIC Developments Pty Limited	Australia	100	100
CIC Deakin Pty Limited	Australia	100	100
Lyons Development Corporation Pty Limited	Australia	100	100
Googong Development Corporation Pty Limited	Australia	100	100
CIC Googong Pty Limited	Australia	100	100
CIC Googong Unit Trust	Australia	100	100
CIC Northgate Pty Limited	Australia	100	100
CIC Crace Pty Limited	Australia	100	100
CIC Employee Share Plan Pty Limited	Australia	100	100
Crace Realty Pty Limited	Australia	100	100
CIC Realty SA Pty Limited	Australia	100	100
Googong Pastoral Company Pty Limited	Australia	100	100
CIC (Palmerston) Pty Limited	Australia	100	100
CIC Realty (Palmerston) Pty Limited	Australia	100	100
CIC Project Management (Palmerston) Pty Limited	Australia	100	100
CIC THD Pty Limited	Australia	100	100
CIC Development Management Limited	Australia	100	-
CIC Constructions Pty Limited	Australia	100	-

Notes to the Consolidated Financial Statements (continued)

31. Reconciliation of cash flows from operating activities

In thousands of AUD	*Note*	1 July 2013 to 30 June 2014	1 January 2013 to 30 June 2013
Cash flows from operating activities			
Profit for the period		14,143	3,558
Adjustments for:			
Depreciation/Amortisation		595	306
Impairment of goodwill		-	1,003
Net finance costs	*10*	2,275	1,138
Share of (profit) of equity accounted investees	*16*	(14,516)	(6,550)
Loss on sale of property, plant and equipment		(3)	-
Share-based payment expenses	*22*	-	6
Income tax expense/(benefit)	*11*	2,482	(2,412)
Operating profit /(loss) before changes in working capital and provisions		4,976	(2,951)
Change in trade and other receivables		5,909	58
Net change in inventories / asset held for sale		(16,702)	(7,888)
Change in trade and other payables		4,200	6,178
Change in provisions and employee benefits		883	(177)
		(734)	(4,780)
Distributions from Joint Ventures		17,896	2,876
Interest paid	*10*	(1,358)	(781)
Net cash (used in) operating activities		15,804	(2,685)

32. Related parties – KMP

Key management personnel remuneration

The KMP remuneration is as follows:

In AUD	Consolidated	
	1 July 2013 to 30 June 2014	1 January to 30 June 2013
Short-term employee benefits	2,120,102	1,080,354
Post-employment benefits	60,522	47,030
Share-based payments	-	5,971
Long-term benefits	16,932	17,975
Termination benefits	-	114,415
	2,197,556	1,265,745

Individual directors and executives remuneration disclosures

Information regarding individual directors and executive’s remuneration and some equity instrument disclosures as permitted by the Corporations Regulation 2M3.03 are provided in the Remuneration Report section of the Directors’ Report.

Apart from the details disclosed in this note, no director has entered into any material contract with the Group since the end of the previous financial year and there were no material contracts involving directors’ interests at the end of the reporting period.

32. Related parties – KMP (continued)

Other KMP transactions

From time to time, key management personnel of the Group or their related entities, may purchase goods from the Group. Unless disclosed otherwise, these purchases are on the same terms and conditions as those entered into by other Group employees or customers. No purchases were undertaken by key management personnel from the Group or their related entities during the reporting period.

33. Other related parties

Other than KMP, the Group has a related party relationship with its subsidiaries (see note 30), equity accounted investees (see note 16) and with the ultimate parent entity, PEET Limited incorporated in Australia.

Associates

During the year ended 30 June 2014, there were no loans between any associates and the Group (1 January 2013 to 30 June 2013: nil). No dividends were received by the Group from associates in 2014 (30 June 2013 $ nil).

Joint ventures

From time to time, to support the activities of the joint venture, the venturers inject equity into the joint venture and increase their investment in the joint venture. The Group received a total of $9,093 thousand (30 June 2013: $10,896 thousand) in management fees, marketing fees, distributions, dividends and interest from joint venture entities. Interest payable to equity accounted investees in the year was $1,911 thousand (30 June 2013: $917 thousand).

Transactions with joint ventures are priced on an arm's length basis. The Group occasionally loans funds to joint venture entities on a commercial basis. The balance of loans due from equity accounted investees at period end is shown as a current receivable of $11,028 thousand (30 June 2013: $10,172 thousand). These unsecured loans are with two separate related parties.

During 2012 a commercial loan agreement was entered into between the Group (as borrower) and one of its joint venture entities. The facility limit of the loan is $7,129 thousand. At reporting date, the balance of loans due to equity accounted investees is $7,129 thousand and is shown in current loans and borrowings (2013: $35,164 non-current). The loan is an unsecured loan. If the borrow is in default the lender may call upon the outstanding balance of principle and interest.

34. Subsequent events

On 4 July 2014 the Company surrendered part of its head office lease in Canberra. The partial surrender relates to level 2. This will result in reduction of cost and offsetting reduction of revenue in future reporting periods.

Notes to the Consolidated Financial Statements (continued)

35. Auditor's remuneration

The auditor of CIC Australia Limited is Ernst & Young

In AUD

	30 June 2014	30 June 2013
Audit services	$	$
Auditors of the Company		
Audit and review of financial reports – Ernst & Young	120,000	-
Audit and review of financial reports – KPMG	-	161,818
	120,000	161,818
Services other than statutory financial report audit		
Auditors of the Company		
Other services		
Taxation services and advice – Ernst & Young	51,125	-
Taxation Services – KPMG	55,250	-
Due diligence services – KPMG	6,500	113,970
	112,875	113,970

36. Parent entity disclosures

As at, and throughout, the reporting period ending 30 June 2014 the parent entity of the Group was CIC Australia Limited.

In thousands of dollars	1 July 2013 to 30 June 2014	1 January to 30 June 2013
Result of parent entity	$	$
Profit for the period	10,910	(3,958)
Total comprehensive income for the period	10,910	(3,958)
Financial position of parent entity at end of reporting period		
Current assets	49,866	8,939
Total assets	124,560	137,784
Current liabilities	31,544	69,468
Total liabilities	46,044	70,173
Total equity of the parent entity comprising of:		
Share capital	62,630	62,630
Reserve for own shares	472	472
Retained earnings	15,414	4,509
Total equity	78,516	67,611

Parent entity contingencies

The directors are of the opinion that there are no contingencies requiring disclosure.

In thousands of dollars		
Indemnities and guarantees		
The Parent has guaranteed the bank facilities in relation to future development work to be undertaken by itself and its subsidiaries. $845 thousand of these guarantees are secured by the finance facility and $3,857 thousand are secured by a Deed of Indemnity and Guarantee.	4,702	4,067

37. Interests in joint arrangements

The company ultimately has interests in two joint venture operations, Lightsview Joint Venture Operation and The Heights Durack Joint Venture Operation. The company's share of interest in the Lightsview Joint Venture Operation extends to the provision of development services for which it receives a 50% share of the profit. The company's share of interest in The Heights Durack Joint Venture Operation extends to the provision of development services for which it receives a 50% share of the profit.

In thousands of AUD	**Lightsview**	**The Heights Durack**	**Lightsview**	**The Heights Durack**
	30 June 2014	**30 June 2014**	**30 June 2013**	**30 June 2013**
Current assets	19,210	12,668	21,236	9,547
Non-current assets	1,172	3,252	1,356	3,371
Current liabilities	(8,853)	(6,801)	(8,719)	(6,776)
Non-current liabilities	-	-	-	-
Equity	11,529	9,119	13,873	6,142

In thousands of AUD	**Lightsview**	**The Heights Durack**	**Lightsview**	**The Heights Durack**
	1 July 2013 to 30 June 2014	**1 July 2013 to 30 June 2014**	**1 January to 30 June 2013**	**1 January to 30 June 2013**
Revenue	28,141	31,349	26,097	440
Expenses	(21,486)	(25,922)	(20,973)	(982)
Total comprehensive profit / (loss)	**6,655**	**5,427**	**5,124**	**(542)**

Directors' declaration

1 In the opinion of the directors of CIC Australia Limited ("the Company"):

(a) the financial statements and notes and the remuneration report in the directors' report, set out on pages 1 to 59, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, for the year ended 30 June 2014; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial period 1 July 2013 to 30 June 2014.

Signed in accordance with a resolution of the directors:

Dated at Canberra on this 28th day of August 2014.

Mr C Alexander
Managing Director

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
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Independent auditor's report to the members of CIC Australia Limited

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

a. the financial report of CIC Australia Limited is in accordance with the *Corporations Act 2001*, including:

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

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 19 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 CIC Australia Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth
28 August 2014

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the reporting period, which comply with ASX Corporate Governance Council recommendations, unless otherwise stated. The Corporate Governance Statement is structured with reference to the ASX recommendations. Areas not fully complied with are disclosed under the relevant principle, together with reasons for the departure.

Copies of relevant charters and policies are available as the Company's website www.cicaustralia.com.au

Principle 1: Lay solid foundations for management and oversight

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, appointing directors, establishing and monitoring the achievement of management goals and ensuring the integrity of risk management, internal control, legal compliance and management information systems.

It is also responsible for approving and monitoring financial and other reporting and dealing with approaches from external parties to take over the Company. Details of the Board's charter is located on the Company's website (**www.cicaustralia.com.au**).

The Board has delegated responsibility for the operation and administration of the Company to the Chief Executive Officer and executive management team. Responsibilities are delineated by formal authority delegations.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

The Board has established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. Executives are regularly involved in Board discussions and directors have other opportunities, including visits to business operations, for contact with a wider group of employees.

Appraisals are conducted on an ongoing basis for all employees by the executive team and the Board. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees and senior management.

Principle.2: Structure of the Board to add value

Composition of the Board

The skills, experience and expertise held by each director in office at the date of the annual report is included in the Directors' Report.

The Board currently comprises five directors, the majority of which are non-executive directors. One director on the Board is independent. Given the size, nature and geographical spread of the Company, the relationship it holds with the parent entity and the fact that the majority of directors are non-executive, the Board does not believe it needs a majority of independent directors to be effective.

The full Board performs the duties of the Nomination Committee.The Board reviews its composition and assesses nominations for new appointments from time to time to ensure the appropriate balance of skills, personal qualities, diversity and experience is maintained. When a vacancy exists or there is the need for particular skills, the Board determines the selection criteria based on the skills deemed necessary and identifies potential candidates with advice from external consultants where necessary. The Board will continue to monitor and review the composition of the Board to ensure it is providing sound governance and the best mix of skills.

CORPORATE GOVERNANCE STATEMENT

The Board has established two committees to support the effective governance framework and to advise and support the Board in carrying out its duties. To this end, the Board has established the following committees:

- Remuneration Committee;
- Audit Committee.

These committees have a formal charter which is located on the Company's website. The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

Directors' independence

Directors are considered to be independent when they are independent from management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

When determining the materiality level, in the context of director independence, factors considered include whether the relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

Board evaluation

The Board undergoes periodic formal assessments as and when considered appropriate and informal self-assessment on an ongoing basis. Performance criteria are based on attendance at meetings, and each director's contribution to setting the direction, strategy and financial objectives of the Group and monitoring compliance with regulatory requirements and ethical standards.

The nomination of existing directors for reappointment is not automatic and is contingent on their past performance, contribution to Company and the current and future needs of the Board and Company. Directors displaying unsatisfactory performance are required to retire.

Director and executive education

The Board has a process to educate new directors about the nature of the business, current issues, the corporate strategy and expectations of the Board concerning the performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge as required.

The Group also has a process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations and risk management and other corporate policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

CORPORATE GOVERNANCE STATEMENT

Principle 3: Promote ethical and responsible decision-making

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Code of conduct

The code of conduct may be viewed on the Company's website and it covers the following:

- aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- fair dealing;
- protection and proper use of the Company's assets; and
- compliance with legislation.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists, the director concerned is not to receive the relevant Board papers and is not to be present at the meeting whilst the item is considered. Independent directors should provide all relevant information to allow the Board to regularly assess their independence. Details of related party transactions with the Group are set out in the Notes to the Financial Statements.

Trading in general Company securities by directors and employees

A Securities Trading Policy has been established by the Company detailing the process to be followed by Directors and employees in trading in shares. This policy is located on the Company's website. The key features of the policy are:

- Directors and employees are not permitted to trade in Company shares during the periods between the end of the half-year and financial year end and the date of lodgement of the half-year and year end results at the ASX;
- prohibits directors and employees from trading in Company securities whilst they are in possession of price sensitive information not yet released to the market;
- requiring details to be provided of intended trading in the Company's shares;
- requiring details to be provided of the subsequent confirmation of the trade; and
- requiring directors to provide details to the Company Secretary of all trades by themselves or an associate.

Diversity

The Board is committed to having an appropriate blend of diversity throughout the Company. The Board has established a policy regarding gender, age, ethnic and cultural diversity which is available on the Company's website.

The key elements of the diversity policy include:

- increasing the gender diversity at the Board and senior levels throughout the Group;
- objective is to achieve increased gender balance on a full-time equivalent basis on the Board and in management positions in the Group; and
- annual assessment by the Board of gender diversity objectives and performance against the objectives.

CORPORATE GOVERNANCE STATEMENT

The diversity position within the Group at 30 June 2014 on a full-time equivalent basis within the Group is:

Gender representation	Female (%)	Male (%)
Board representation	0%	100%
Executive team representation	50%	50%
Senior management representation	28%	72%
Group representation	46%	54%

The executive team includes the executive director and senior management level referred to above excludes the executive team.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The Audit Committee has a documented charter, approved by the Board. All members must be non-executive directors and be chaired by an independent non-executive director. Given the size of the Company, the relationship it holds with the parent entity and the fact that all Committee members are non-executive, the Board does not believe the Committee needs a majority of independent directors to be effective. The Chairman may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group.

The members of the Audit Committee during the reporting period were:

- Mr J Mackay (Chairman);
- Mr B Gore; and
- Mr J Service.

The responsibilities of the Audit Committee include:

- review the half-year and preliminary final report prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to the announcement of results;
- review the draft half-year and annual financial reports and recommend Board approval of the financial report;
- review the Company's accounting policies and principles and recommend to the Board approval of any changes thereto;
- review the integrity and reliability of the Company's reporting systems and accounting controls;
- recommend the appointment and removal of the external auditor; and
- annually review the effectiveness of the external auditor.

Other directors, external auditors, the CEO and the CFO, may be invited to Audit Committee meetings at the discretion of the committee. For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the directors' meetings table in the Directors' Report.

Senior management is required to sign off on the systems and processes within their area of responsibility. This procedure supports the CEO and CFO in their certification to the Board in effect stating that the Company's accounts present a true and fair view in all material respects of the Company's financial condition and operational results and accord with the relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available on the Company's website along with information on procedures for monitoring the performance of the external auditor.

External auditor

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss any unusual transactions and significant adjustments resulting from the audit;

- discuss the external audit plan, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.

Principle 5: Make timely and balanced disclosure

The Group has policies and procedures in place to ensure compliance with continuous disclosure obligations.

The policy aims to identify matters that may have a material effect on the price of the Company's securities, notifying the ASX and posting it on the Company's website. More details of this policy are available on the Company's website.

All directors, executives and employees are required to notify the Chief Executive Officer in relation to any information that they believe could have a material effect on the price or value of the Company's shares. The Chief Executive Officer is then responsible for deciding whether that information falls within the disclosure obligation and then if so, inform the Company Secretary. The Company Secretary is primarily responsible for all communications and lodgements with the ASX.

All announcements made to the market, and related information, are placed on the Company's website after they are released to the market.

Principle 6: Respect the rights of shareholders

The Group respects the rights of its shareholders and is committed to providing a high standard of communication to shareholders so they have all available information reasonably required to make informed decisions in relation to the Group's value and prospects.

In accordance with the Shareholder Communication Policy and ASX Disclosure Policy, the Group will communicate with shareholders by way of:

- releases to the market via the ASX;
- the report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments;
- the half-yearly report contains summarised financial information and a review of the operations of the Group during the period. The half-year financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- all announcements made to the market, and related information, are placed on the Company's website after they are released to the ASX; and
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

CORPORATE GOVERNANCE STATEMENT

Principle 7: Recognise and manage risk

Oversight of the risk management system

The Board determines the Company's risk profile and is responsible for overseeing the establishment, implementation and annual review of the Company's Risk Management System which assesses, monitors and manages operational, financial reporting and compliance risks for the Group on an annual basis. The Company has in place internal controls intended to identify and manage significant business risks.

The CEO and CFO are required to provide the Board with a written statement in accordance with s295A of the Corporations Act to the effect that:

1. the Company's financial reporting risk management and associated compliance and control system have been assessed and found to be operating efficiently and effectively; and
2. The integrity of the financial statements is founded on a sound system of risk management and internal compliance and controls which implement the policies adopted by the Board.

Risk profile

The Board receive an update on the status of risks throughout the year via an integrated risk management program aimed at ensuring risks are identified, assessed and appropriately managed. Further details of the Company's risk management policy are available on the Company's website.

Risk management and compliance and control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities.

Comprehensive practices are in place to ensure:

- delegation limits have been established internally to limit capital expenditure and revenue commitments without Board approval;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

Due to the size of the Company, no formal internal audit process is conducted. Management constantly assess the effectiveness of the compliance and control systems.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and State legislation. The Group is committed to achieving a high standard of environmental performance.

CORPORATE GOVERNANCE STATEMENT

Principle 8: Remunerate fairly and responsibly

The Board has established a Remuneration Committee to achieve the Board's objective of providing maximum stakeholder benefits from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive directors and the directors themselves. It is also responsible for share option schemes, incentive performance packages, superannuation entitlements, termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

The members of the Remuneration Committee during the reporting period were:

- Mr J Mackay (Chairman);
- Mr J Service
- Mr B Gore

The Board policy is that the Remuneration Committee will comprise entirely of non-executive directors and be chaired by an independent non-executive director. Given the size of the Company, the relationship it holds with the parent entity and the fact that all Committee members are non-executive, the Board does not believe the Committee needs a majority of independent directors to be effective. The executive director is invited to Remuneration Committee meetings, as required, to discuss senior executives' performance and remuneration packages but do not attend meetings involving matters pertaining to them.

There is no scheme to provide retirement benefits to non-executive directors.

For details on the number of meetings of the Remuneration Committee held during the reporting period and the attendees at those meetings, refer to the directors' meetings table in the Directors' Report. The Remuneration Committee charter is available on the Company's website.

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report are set out below.

Shareholdings (as at 15 August 2014)

Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Ordinary
PEET Limited	109,250,856
Kyleast Pty Ltd and its associates	8,086,588

Voting rights

Ordinary shares

Refer to Note 24 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders at 31 July 2014

Category	Number of Shareholders	
	Ordinary Shares	*Options*
1 - 1,000	22	-
1,001 - 5,000	26	-
5,001 - 10,000	20	-
10,001 - 100,000	21	-
100,001 - and over	19	-

The number of shareholders holding less than a marketable parcel of ordinary shares is 15.

On-market buy-back

There is no current on-market buy-back.

ASX ADDITIONAL INFORMATION

Twenty largest holders of quoted equity securities at 15 August 2014

Name	No. of ordinary shares held	Percentage of capital held
PEET Limited	109,250,856	86.03
RBC Investor Services Australia Nominees Pty Limited	2,852,297	2.25
Eric Morgan	2,200,838	1.73
Emorgo Foundation Pty Ltd	2,000,000	1.57
David Morgan	1,413,750	1.11
Donwood Pty Ltd	1,338,035	1.05
CRX Investments Pty Limited	1,271,402	1.00
Kyleast Pty Limited	1,000,000	0.79
Maurice Loomes	883,878	0.70
Consolidated Builders Limited	726,011	0.57
Jennifer Stark	660,000	0.52
Renilton Pty Ltd	650,000	0.51
Marla Securities Pty Ltd	500,000	0.39
Horrie Pty Limited	400,000	0.31
Custodial Services Limited	273,498	0.22
Eric Morgan	200,000	0.16
Ross Barrett	166,400	0.13
Bond Street Custodians Limited	151,692	0.12
National Nominees Limited	150,000	0.12
Marla Securities Pty Limited	100,000	0.08

ASX ADDITIONAL INFORMATION

Directors	James Glen Service (Chairman) Colin John Alexander (Managing Director) Brendan David Gore Peter James Dumas John Angus Mackay
Secretary	Melanie Clare Andrews
Registered and Principal Office	Level 3 64 Allara Street CANBERRA ACT 2601 Tel: (02) 6230 0800 Fax: (02) 6230 0811
Auditors	Ernst & Young 11 Mounts Bay Road PERTH WA 6000
Share Registry	Computershare Registry Services Pty Limited Level 3, 60 Carrington Street SYDNEY NSW 2000 Tel: 1300 137 328
Stock Exchange	The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.
Other Information	CIC Australia Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
Web site	www.cicaustralia.com.au