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ASX Announcement
29 August 2014

ASX: DSB

Board of Directors

Gordon Galt – Chairman

Stephen Bizzaca – Managing
Director – CEO

Glyn Dawkins – Non Executive
Director

Geoff Garside –Executive Director

Company Secretary

Geoff Garside

Principal Contact

Stephen Bizzaca – Managing
Director – CEO

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To : Australian Securities Exchange
Company Announcement

“Results for announcement to the market”.

Please find attached ASX release for
Annual Report for the year ended 30
June 2014.

Yours Faithfully

Geoff Garside
Company Secretary

DELTA SBD LIMITED

Delta SBD Limited

ABN 18 127 894 893

Annual Report

30 June 2014

DELTA SBD LIMITED

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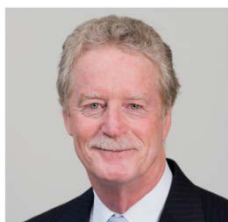
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DELTA SBD LIMITED

Chairman's Letter



Delta SBD is a leading Australian Mining Services Company operating in underground coal mine contracting. We offer customers our excellent management team and a substantial range of fit-for-purpose equipment. The entities which form the Company have been providing high quality service to our sector for over fifteen years.

In the future Delta SBD will continue to provide a safe work place for employees, satisfy our customers' needs and create value for shareholders by extending our range of services and products.

Dear Fellow Shareholder,

Delta SBD's operating results and Annual Report for the 2013/14 year are presented below. Without doubt the past year has been one of the most challenging and difficult years that the Australian coal industry, and we as part of that industry, have faced in recent history. There were a number of mine closures in the Hunter Valley and projects that had been mooted for commencement in the Bowen Basin were delayed. At Berrima, where we have been undertaking whole of mine operations, Boral put the mine on care and maintenance then announced its closure on 1st July 2014.

We again improved on our safety performance this year and we attribute this to the culture built up throughout our workforce over a number of years, hard work and attention to the detail of the many tasks that we undertake. We maintained our proactive safety measures as the focus of our safety program and achieved a 29% reduction in total recordable injury frequency rate as a result.

Strategically we retained and developed new relationships during the year. We continued with core clients in NSW at Appin (Illawarra Coal), Metropolitan (Peabody) and Berrima (Boral) and undertook eight (8) longwall projects. We worked at two new clients/operations in Australia, at Ulan West (Glencore's newest operation) and Austar (Yancoal) and undertook our first international longwall project in India, at Adriyala Coal Mine (Singareni Collieries Company Limited's newest operation).

The recent awards of three new mining services contracts with BHP Billiton's Illawarra Coal for the Appin and West Cliff mines, and a further conveyor project contract with BMA at the Crinum mine in the Bowen Basin region of Queensland, are proof of our ability to provide value added services in a highly competitive market and reinforce our long term successful relationship with both Illawarra Coal and BMA.

To mitigate the effects of the industry downturn your company has successfully implemented strategies to restructure, reduce debt and lower costs. Debt reduction focused on the sale of equipment. This has been successfully completed and will reduce our equipment finance debt to approximately \$1m. This has improved Cashflow by approximately \$500k per month as well as lowering associated financing costs.

Due to the market conditions, we had a disappointing year financially, with a decline in annual revenue to \$69.3 million (-52% on FY13 result) which generated underlying EBITDA of \$2.13 million (88%). Underlying net profit after tax (NPAT) was (\$1.78) million (122%), representing underlying earnings of (3.8) cents per share. Statutory NPAT for the year was (\$42.8) million (703%) after allowing for full impairment of goodwill, restructuring costs, sale of assets and write down of equipment value.

At the date of this report, some relief has occurred for coking coal producers, who form the main client base of DSB, with the USD spot price of coking coal up 10% from the low point and a slight depreciation in the AUD. Production of coking coal from Australia is actually growing and we believe the pressure to further increase production will cause producers to draw contractors back to the mines again during the years ahead.

Competition has also continued as clients' press for more value added solutions to reduce their costs, and DSB's demonstrated ability to deliver cost reductions means that out sourcing services

Chairman's Letter continued

DELTA SBD LIMITED

propositions are now very attractive to our clients. We expect that these conditions will encourage clients to increase their commitments in these areas in the coming year. Even so, DSB will be starting FY15 from a lower trading base than we would like.

As you might expect given the financial results Directors have decided not to declare a final dividend for the year. Our competitive lower cost structure is allowing us to rebuild our forward work book and is returning the company to being a positive Cashflow generator in H1/15, with the expectation of being a regular dividend payer again as soon as possible.

On behalf of the Board and shareholders, I would like to thank all employees, led by Stephen Bizzaca, our Managing Director and CEO, for their significant contributions to the Delta SBD business this year. We have kept our employees safe and we have worked closely and successfully with our clients to overcome some of their difficulties in a trying market.

As always I wish to thank all DSB shareholders for your continued support and I look forward to reporting on further positive progress as the FY15 year unfolds.



Gordon Galt
Chairman
Delta SBD Limited

Dated 29 August 2014

DELTA SBD LIMITED

Managing Director and Chief Executive Officer's Report – Mr. Stephen Bizzaca

The 2013/14 year was a very difficult year for Delta SBD (the Group) due to the market conditions being experienced in the resource sector, and particularly in the coal industry. Key operating and financial highlights are listed below:

2014 operating highlights

- Safety performance continues in the best quartile for the sector, with total recordable injury frequency rate decreasing by 29% over the past twelve months to 12.8 (1,000,000 hours basis), while our proactive safety measures remained on target with one leading initiative performed for every 9.8 hours worked;
- Man-hours worked decreased by 43%;
- New contracts awarded, including:
 - Initial installation of longwall system at Glencore's new Ulan West mine;
 - Longwall relocation assistance at Yancoal's Austar mine;
 - Conveyor installations at Peabody's Wambo mine; and
 - Civil work project associated with Illawarra Coal's Appin mine expansion (Area 9) (15 month term);
- Maintained the majority of existing long-term ongoing and recurring work contracts;
- Successfully completed the companies first overseas longwall project; and
- Introduced a new national enterprise agreement.

2014 financial summary

- Underlying NPAT decreased by 122% to (\$1.78) million (2013: \$8.04 million)
- Revenue decreased by 52% to \$69.35 million (2013: 145.1 million)
- Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 88% to \$2.13 million (2013: \$17.980 million)
- Underlying EBITDA margin of 3.1% (2013: 12.4%)
- Disappointing balance sheet with cash, cash equivalent and non-current security deposits on hand at 2013/14 yearend of \$1.05 million (2013: \$7.6 million).
- Underlying Earnings per Share (EPS) (3.79c) (2013: 17.82c)
- Directors have not declared a final dividend

Operations – FY14

The Group is one of the largest contracting companies servicing the Australian underground coal mining industry, providing an extensive range of services and skills to our client base which includes most of the major coal mining companies in Australia. The Group has the financial strength, skills base, experience and retained a substantial range of equipment to provide outstanding services to the underground coal mining sector.

The health and safety of our employees continues to be a core value of the business. The Group improved on its safety performance again this year with a 29% decrease in the total recordable injury frequency rate (1,000,000 hours basis). This result confirms the change in company's safety culture from one of compliance to one of commitment. Both site management and employees have worked extremely hard to achieve this splendid result. Our leading safety indicators remained on target with one leading initiative performed for every 9.8 hours worked. The Group's safety performance remained within the top quartile of safety performance by our clients.

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Managing Director and Chief Executive Officer's Report continued

During the period continuing work for the Group included:

- Roadwork development (two units), secondary support, drill and blast activities and outbye service at Illawarra Coal's Appin mine;
- Secondary support and outbye services at Peabody's Metropolitan mine;
- Longwall moves at Glencore's Blakefield and Tahmoor mines, Peabody's Wambo mine, Yancoal's Austar mine and Whiteheaven's Narrabri mine (twice).;
- Initial longwall installations at Glencore's new Ulan West mine and Singareni Collieries Company Limited's new Adriyala Coal Mine (in Andhra Pradesh, on the south-eastern coast of India);
- Conveyor installations at Illawarra Coal's Appin mine and Peabody's Wambo mine;
- Commenced civil work associated with mine expansion at Illawarra Coal's Appin mine; and
- Whole of mine operations to September 2014 then care and maintenance, at Boral's Berrima coal mine till September 2014.

The fleet hire utilisation was lower due to timing of longwall moves and market conditions.

The Berrima mine was placed on care and maintenance in the 2nd quarter due to various reasons, including largely lower alternative cheaper coal availability and the uncertainty caused by the decision of the Land and Environment Court to overturn the State Government's earlier approval of the part 3A application for a further twenty year operating life for the mine.

Looking ahead the coal sector downturn is expected to continue. However, as clients' continue to seek further cost reductions, the alternative much cheaper out sourcing solutions now available could revitalise the contractor sector and the Group is well positioned if such circumstances arise. This is clearly reflected in the recent award of new contracts commencing in next financial year, including

- o Illawarra Coal's Appin mine inbye and outbye mine services (2 year term)
- o Illawarra Coal's Appin and West Cliff mine's supplementary labour (2 year term)
- o BMA's Crinum mine conveyor installations and salvage (8 month term).

The Company's current workbook (excluding non-contracted recurring work) for the next two years remains positive at \$80 million, with the FY15 portion of this workbook at \$51 million. Activity in our tender pipeline has increased significantly, reflecting both expansion of some existing mines and new mine development in the anticipation of increased production requirements post 2016. Currently we have over \$300 million active enquiries and a further \$900 million of enquiries expected this financial year.

The Group continues to pursue innovative mining solutions to provide our clients' with a more competitive value added proposition that is essential in the current market.



Stephen Bizzaca
Managing Director and Chief Executive Officer
Delta SBD Limited

Dated 29 August 2014

Directors' Report

The Directors herein present their Report together with the financial report of the Delta SBD Group (the Group) and the auditor's report for the financial year ended 30 June 2014. The Group consists of Delta SBD Limited (the Company) and its wholly owned subsidiaries.

1. Directors

The Directors of the Company during or since the end of the 2014 financial year are:

<p>Gordon Thomas Galt Chairperson BEng Mining (Hons), BComm, Grad Dip Applied Finance, MAusIMM, MAICD Director and Chairman since 8 October 2007</p>	<p>Gordon has worked in the resources and finance industries for more than 35 years.</p> <p>He has extensive technical, operational, project management and senior managerial experience in the Australian mining industry, primarily in coal and gold. He was Managing Director at Cumnock Coal and Newcrest Mining and later moved to financial services at ABN AMRO Bank where he focused on the mining, energy and chemical sectors.</p> <p>Gordon is currently a Non-Executive Director of the following ASX listed companies:</p> <ul style="list-style-type: none"> • US Masters Holdings Ltd (2010 – present) • NuCoal Resources Limited (2010 – present) • Flinders Resources Limited (2013-present)
<p>Stephen John Bizzaca Managing Director and Chief Executive Officer BAppSc Director since 8 October 2007</p>	<p>Stephen is an electrical engineer with more than 35 years' experience in the coal and metalliferous mining industries. Stephen has extensive experience in project management and operational management in mining and engineering. He has extensive knowledge of the Australian Coal Industry.</p> <p>Stephen was responsible for the purchase and commissioning of Queensland's first modern longwall at Central Colliery in 1985 and subsequently was the Project Director for the design and development of the Southern Colliery Project in 1988. In 1989 he became Project and Operations Manager for TiWest Ltd and later became Project Manager for feasibility studies for Newcrest's Telfer expansion.</p> <p>Stephen founded the SBD business in 1995 and has led its growth since then including the merger with Delta Mining to form Delta SBD in 2007.</p> <p>Stephen has a Bachelor of Applied Science (Electronic Engineering) from Curtin University (formerly Western Australian Institute of Technology).</p>
<p>Glyn Dawkins Non-Executive Director Mechanical Engineering Certificate (AMEME Hons), Mine Mechanical Engineers Certificate of Competency in UK and NSW Director since 8 October 2007 Non-Executive Director since July 2010</p>	<p>Glyn has more than 40 years' experience in the underground coal industry, beginning his career at Six Bells Colliery in Wales, UK in 1964. He immigrated to Australia in 1978 and worked at Appin Colliery as Assistant Mechanical Engineer. He became Mechanical Engineer in Charge at Appin Colliery in 1980 and remained in that role until 1997 when he joined Aklynd Engineering.</p> <p>Glyn founded the Delta Mining business in 1998 and has remained a Director throughout the merger with SBD Services.</p> <p>Glyn has an Honors Certificate in Mining Mechanical Engineering from the Association of Mining Electrical and Mechanical Engineers, UK and a Mine Mechanical Engineers Certificate of Competency in the UK and NSW. Glyn is a member of the AICD.</p> <p>Glyn is the Chairperson of the Delta SBD's Remuneration and Risk Committees and is a member of the Audit and Compliance Committee.</p>

Geoff Garside	Geoff has worked in the manufacturing, health care, corporate advisory and financial services industries for more than 40 years. He continues to be principal and corporate advisor to several financial services companies and manufacturing entities.
Executive Director	
FCPA, FAICD	
Non-Executive Director since 5 May 2011	Geoff has previously been a Non-Executive Director of ASX listed Avastra Limited (2006-2009) and a Non-Executive Director of Delta SBD Limited (2007-2009) and (2011-2014).
Finance Director (Interim) and Company Secretary since 16 June 2014.	Geoff is a Fellow of the Australian Institute of Company Directors and CPA Australia (FAICD, FCPA). Geoff was appointed to the interim Finance Director and Company Secretary roles on 16 June 2014 upon the redundancy of the Company's former Chief Financial Officer and Company Secretary. Geoff was formerly the Chairperson of the Delta SBD's Audit and Compliance Committee and resigned from the Chair role due to his appointment as an Executive Director. He remains a member of the Audit and Compliance, Remuneration and Risk Committee's.

2. Company Secretary

Geoff Garside FAICD, FCPA, JP Appointed 16 June 2014

3. Officers who were previously partners of the audit firm

No officers of the Company during the financial year were previously partners of the current audit firm, KPMG.

4. Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and the number of meetings attended by each Director of the Company during the financial year are:

Director	Board Meetings		Audit & Compliance Committee Meetings		Remuneration Committee Meetings		Risk Committee Meetings	
	A	B	A	B	A	B	A	B
Mr. Gordon Galt	15	14	3	3	2	2	2	2
Mr. Stephen Bizzaca	15	15	3	3	2	2	2	1
Mr. Glyn Dawkins	15	13	3	3	2	2	2	2
Mr. Geoff Garside	15	13	3	3	2	2	2	2

A: Number of meetings held during the time the Director held office during the year

B: Number of meetings attended.

5. Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

5.1 Board of Directors

Role of the Board

The Board's primary role is the protection and enhancement of shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including formulating strategic direction, capital expenditure, remuneration, appointing and removing the Chief Executive Officer (CEO), ensuring policies are prepared for senior executives, establishing and monitoring the achievement of management's goals and ensuring the

Board of Directors continued***Role of the Board continued***

integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated management of the Group to the Chief Executive Officer and Executive Management. Responsibilities are delineated by formal authority delegations.

Board processes

The Board holds a minimum of ten scheduled meetings per annum. In addition Committee meetings, strategy meetings and extraordinary meetings are held at such other times as may be necessary to address specific matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairperson, Chief Executive Officer and Company Secretary. Standing items include the Chief Executive Officer's report (including health and safety), financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to business operations, for contact with a wide group of employees.

Director induction and executive education

The Group has a formal induction process to educate new Directors about the company's business, current issues, corporate strategy and the expectations of the Group concerning performance of Directors. Directors have the ongoing 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.

The Group also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management 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 Group information and to the Group's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson'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.

Composition of the Board

The composition of the Board is determined in accordance with the following principles:

- (a) the Board should comprise members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;
- (b) there must be at least three Directors;
- (c) the number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- (d) the Chairman must be a non-executive Director who should also be Independent;
- (e) the Chairman is responsible for the leadership of the Board and for the efficient organisation and conduct of the Board. The Chairman should facilitate effective contribution by all Directors and promote constructive and respectful relations between Directors; and
- (f) the ultimate long term objective of the Board is that at least half of the Board must be non-executive Directors and that at least two of these persons should also be Independent.

Board of Directors continued***Independence***

The Board has adopted the following definition of an Independent Director:

An independent Director is a Director who is not a member of management (a non-executive Director) and who:

- (a) is not a substantial shareholder (within the meaning of section 9 of the Corporations Act) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- (b) has not, within the last three years, been employed in an executive capacity by the Company or a Group member, or been a Director after ceasing to hold such employment;
- (c) is not and has not been, for the last three years, a principal of a professional advisor to the Company or a Group member, or an employee materially associated with the service provided, except where the adviser might be considered to be independent notwithstanding their position as a professional advisor due to the fact that fees payable by the Company to the advisor's firm represent an insignificant component of its overall revenue;
- (d) is not a material* supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- (e) has no material* contractual relationship with the Company or another Group member other than as a Director;
- (f) is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- (g) has not served on the Board for a period which could, or could reasonably be assessed by the Board to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board will regularly assess the Independence of each Director in the light of the interests disclosed by them, and each Director will provide the Board with all relevant information for this purpose. The Independence of Directors will be disclosed in the annual report. Where the Independence of a Director is lost, this will be immediately disclosed to the market.

** The Board considers, 'material', in this context, to be where any Director-related business relationship has represented, or is likely in the future to represent the lesser of at least 10 per cent of the relevant segment's or the Director-related business's revenue. The Board considered the nature of the relevant industries' competition and the size and nature of each Director-related business relationship, in arriving at this threshold.*

The size and structure of the Board is set to reflect the current operations and complexity of the Group. At present the Board does not contain a majority of independent Directors as required by ASX Corporate Governance Statement 2.1.

Committees

The Board has established Committees to assist in carrying out its function and for its effective and efficient performance and has also adopted a charter for each Committee dealing with the scope of its responsibility and relevant administrative and procedural arrangements. Charters are available as part of the Corporate Governance Charter.

The Committees are the following:

- i) Remuneration Committee;
- ii) Audit & Compliance Committee; and
- iii) Risk Committee.

Committees continued

To the maximum extent possible membership of committee's follow ASX Corporate governance Guidelines, however due to the relative small size of the company, and resources; some best practice guidelines cannot be achieved. Details of inability to implement such guidelines are disclosed where applicable in the following sections.

5.2 Nomination Committee

At present a nomination Committee is not currently in place as it is not considered necessary given the current operations and complexity of the Group. The Board has elected that the responsibility for nominations will be performed by the whole Board. The Board oversees the appointment and induction process for Directors and committee members, and the selection, appointment and succession planning process of the Group's chief executive officer. The Board considers the appropriate skill mix, personal qualities and expertise of each position. When a vacancy exists or there is a need for particular skills, the Board determines the selection criteria based on the skills deemed necessary. The Board then appoints the most suitable candidate.

As there is currently no nomination Committee, the requirements of ASX Corporate Governance Statement 2.4 have not been met.

5.3 Remuneration Committee

The Remuneration Committee has a written charter, approved by the Board.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and Directors of the Group. It is also responsible for recommending share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefits policies and Director and officer insurance arrangements.

Committee Membership

Members must have the appropriate skill and time to fulfill their role on the Committee. They must also have an understanding of the industry in which the Group operates. The Committee will be appointed by the Board and will comprise of a minimum of 3 persons, none of whom should be executives, one of whom is a non-executive Director and independent. The Remuneration Committee's charter is available as a part of the corporate governance charter.

The members of the Remuneration Committee during the year were:

- Glyn Dawkins – Non-executive Director (Committee Chairperson)
- Gordon Thomas Galt – Independent Non-executive Director
- Geoff Garside – Executive Director

Geoff Garside remains a member of the Committee as his Executive role is of an interim nature following the redundancy of the former Chief Financial Officer.

The Committee met twice during the year.

Standard invitees to include:

- Company Secretary, who shall be the Secretary of the Committee
- Chief Executive Officer

Details of the structure of the remuneration of non-executive directors and that of executive directors and senior executives are clearly set out in the Remuneration report, beginning on page 22 of the Directors' Report.

The Remuneration report also includes details of the process for evaluating the performance of senior executives and the results of this evaluation in the current reporting period.

Quality and integrity of personnel

Formal appraisals are conducted annually for all key employees. Training and development and appropriate remuneration with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements and resignations occur.

5.4 Audit and Compliance Committee

The Audit and Compliance Committee has a written charter, approved by the Board.

The objective of the Committee is to assist the Board to discharge its responsibility to exercise due diligence and skill in relation to:

- reviewing the annual, financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether the financial information is consistent with Committee members' information and adequate for shareholder needs;
- assessing management processes supporting external reporting;
- assessing corporate financial risk assessment processes;
- establishing procedures for selecting, appointing, and if necessary, removing the external auditor;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit;
- providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC), and financial institutions.

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

- 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;
- review the preliminary final report prior to lodgement with ASIC, and any significant adjustments required as a result of the auditor's findings, and to recommend Board approval of these documents, prior to announcement of results;
- review the draft annual financial report, and recommend Board approval of the financial report; 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.

The Committee meets these objectives by providing a forum for communication between the Board, management and the external auditor. The Audit and Compliance Committee is currently required to meet twice annually.

Audit and Compliance Committee continued***Committee Membership***

Members must have the appropriate skill and time to fulfill their role on the Committee. They must also have an understanding of the industry in which the Group operates. The Committee is appointed by the Board and all members should be non-executive Directors with the majority being independent. The Chairperson should not be the Chairperson 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 and Compliance Committee during the year were:

- Gordon Galt – Independent Non-executive Director; Committee and Company Chairperson
- Geoff Garside – Committee Chairperson; and
- Glyn Dawkins – Non-executive Director.

Gordon Galt was appointed Chair of the Committee on 19th August 2014 to replace Geoff Garside, who has been appointed to an Executive role on 16th June 2014. Geoff Garside remains a member of the Committee as his Executive role is of an interim nature following the redundancy of the former Chief Financial Officer.

Standard invitees to meetings of the Committee include:

- Company Secretary, who is the Secretary of the Committee;
- Chief Executive Officer; and
- The external auditors of the Group.

The Committee has met three times during the year.

Financial Reporting

The Chief Executive Officer and the Finance Director have declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, that the Group's financial reports for the financial year ended 30 June 2014 comply with accounting standards, present a true and fair view of the Group's financial position and operational results and that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively .

The Chief Executive Officer and the Finance Director have provided assurance in writing to the Board that the Group's financial reports are founded on a sound system of risk management and internal compliance and control which implement the policies adopted by the Board.

Monthly actual results are reported against budgets approved by the Directors and revised forecasts for the year are prepared regularly.

5.5 Risk Committee

The Risk Committee has a written charter, approved by the Board.

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System, excluding financial risk. Management has established and implemented the Risk Management System for assessing, monitoring and managing all risks, including material business risks, for the Group (including sustainability risk). The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

The role of the Committee is to support and advise the Board in order for it to meet its responsibilities and objectives in relation to Occupational Health, Safety, Environmental and Compliance (HSEC) matters arising out of the activities and operations of the Company.

Risk Committee continued

The Committee is to provide advice and make recommendations to the Board to enable it to discharge its responsibilities by:

- recommending to the Board an HSEC policy, clearly setting out the commitments of the Group to manage HSEC-related matters effectively;
- monitoring the performance of the Group with respect to the implementation of a HSEC management system designed to ensure the commitments made in the policy are being met and that HSEC-related risks are being assessed, eliminated, avoided or controlled;
- reviewing and recommending targets for HSEC performance and assessing progress by the Group towards those targets; and
- reviewing investigations of significant HSEC incidents within the Group and considering appropriate actions and measures to minimise the risk of recurrence.

Environmental regulation

The Group's operations are subject to environmental regulation under both Commonwealth and State legislation in relation to its coal mining operations.

The Group is committed to achieving a high standard of environmental performance and has an HSEC General Manager. The General Manager is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations, including:

- where appropriate, setting and communicating environmental objectives and quantified targets;
- monitoring progress against these objectives and targets;
- implementing environmental management plans in operating areas which may have a significant environmental impact;
- identifying where remedial actions are required and implementing action plans; and
- regular monitoring of license requirements, with performance against licence conditions reported to the various State regulators on a regular basis.

There are established and regular internal reporting processes. Environmental performance is reported from appropriate sites up through management to the Board on a regular basis. Compliance with the requirements of environmental regulations was achieved across all operations with no instances of non-compliance in relation to license requirements noted.

The Committee's role in meeting these objectives is to provide a forum for communication between the Board, management and employees.

Committee Membership

Members must have the appropriate skill and time to fulfill their role on the Committee. They must also have an understanding of the industry in which the Group operates. The Committee is appointed by the Board and comprises a minimum of 3 persons, none of whom should be executives, and one of whom is a non-executive Director and independent.

The members of the Risk Committee during the year were:

- Glyn Dawkins (Committee Chairperson) – Non-executive Director;
- Geoff Garside – Executive Director; and
- Gordon Galt – Independent Non-executive Director.

Given the size of the Board / company it is not possible to have 3 independent and Non-Executive Directors serving on this Committee.

Standard invitees to this Committee's meetings include:

- Company Secretary, who shall be the Secretary of the Committee;
- Chief Executive Officer; and

Risk Committee continued***Committee Membership continued***

- General Manager HSEC.

The Committee has met twice during the year.

5.6 Ethical standards & Values

The Group has a code of conduct. The objective of this code of conduct is to give the Directors guidance to be followed in performing their duties to enable them to achieve the highest possible standards in the discharge of their obligations and give clear understanding of best practices in corporate governance. Directors (as well as Officers, management and employees) are expected to act honestly and ethically at all times remembering that their conduct and actions should never bring disrepute to the reputation of the Company or its people.

The Group's corporate governance policy highlights ethical standards and values which give guidance for Directors, managers and employees, who are expected to perform their duties honestly and ethically at all times remembering that their conduct and actions should never bring disrepute to the reputation of the Group or its people. These codes and associated policies are communicated as part of Group's inductions and may be viewed on the Group's website. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

5.7 Trading in Company securities by directors and employees

The key elements of the Trading in Ordinary shares for Directors and nominated employees are set out in the Company's Securities Trading Policy. The Policy is communicated to relevant employees and may be viewed on the Group's website.

Directors and nominated employees (all employees from general manager upwards) plus other employees as highlighted by the Chief Executive Officer have been identified as persons restricted from trading.

Prohibited trading

- (a) subject to any permission granted under clause 1.8 of the Delta SBD Securities Trading Policy, any person to whom the policy applies is prohibited from Trading in Securities between:
- 1 July and 1 trading day following the announcement of the Company's full year results to the ASX; and
 - 1 January and 1 trading day following the announcement of the Company's half year results to the ASX.
- (b) additionally, any person to whom this policy applies is prohibited from:
- trading in securities whilst that person is in possession of Price-Sensitive Information or where trading is for short-term or speculative gain; and
 - entering into transactions or acquiring certain financial securities or products which have the intention to limit risk in participating in unvested entitlements under any equity based remuneration offered to that person.

Other key elements of the Group's Securities Trading Policy are:

- to raise the awareness of legal prohibitions including transactions with colleagues and external advisers;
- to raise awareness that the Group prohibits entering into transactions that limit economic risks related to unvested share-based payments and that the Group requires annual declarations of compliance with this particular policy;

Trading in Company securities by directors and employees continued

- to require details to be provided of intended trading in the Company's shares;
- to require details to be provided of the subsequent confirmation of the trade; and
- the identification of processes for unusual circumstances where discretions may be exercised in cases such as financial hardship.

The policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website and in the Group's announcements to the ASX.

5.8 Communication with shareholders

The Board provides shareholders with information subject to a Continuous Disclosure Policy which includes identifying matters that may have a material effect on the price of the Company's securities. The Group recognises it needs to fully comply with ASX continuous disclosure requirements.

The Continuous Disclosure Policy operates as follows:

- continuous disclosure obligations are a standing agenda item for all Board and general meetings;
- the Chief Executive Officer, the Finance Director and Company Secretary are responsible for interpreting the Group's policy and where necessary informing the Board;
- the full annual report is made available to all shareholders including relevant information about the operations of the Group during the year, changes in the state of affairs and details of future developments; and
- the external auditor attends the annual general meeting to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Group and the independence of the auditor in relation to the conduct of the audit.

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.

5.9 Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. The Board has developed procedures to assist Directors to disclose potential conflicts of interest and is a standing agenda item for all Board general meetings. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned will not be present at the meeting while the item is considered.

5.10 Diversity

The Board is committed to achieving an appropriate blend of diversity on the Board and in the Group's senior executive positions.

The Group supports the principles of equity and diversity in a workplace that is free from all forms of discrimination and harassment. The Group is committed to ensuring that all employees are treated in a fair and equitable manner based on individual merit and performance.

The Group's policies prohibit unlawful discrimination i.e. subjecting employees to unfair decisions, or harassment because of their sex, marital status, pregnancy, race, age, disability, religion, carer responsibilities, or sexuality. The Group's diversity and equity policy is available on the Group's website.

Diversity continued

Gender representation within the organisation for the current and prior years is as follows:

	30 June 2014		30 June 2013	
	Female (%)	Male (%)	Female (%)	Male (%)
Gender representation				
Board representation	0%	100%	0%	100%
Key management personnel representation	0%	100%	10%	90%
Group representation	3%	97%	3%	97%

The Board considers the Group's key management personnel excluding Directors, to be the Group's senior executives (managers reporting to Chief Executive Officer.).

The Board has not set any measureable objectives to achieve further diversity other than those discussed above. The Board considers the diversity policy to be appropriate for the size and nature of the organisation.

6. Principal Activities

The principal activities of the Group during the course of the financial year were the provision of contract mine services for the underground coal industry within Australia embodying the following activities:

- total mine operation;
- roadway development;
- longwall relocations;
- bord and pillar extraction;
- conveyor installations;
- total mine care and maintenance;
- equipment rental;
- mining products
- mine services, including:
 - secondary support;
 - conveyor extensions;
 - underground civil works;
 - dyke excavation;
 - longwall and Development support;
 - maintenance; and
 - supplementary labour.

There were no significant changes in the nature of the activities of the Group during the year.

Objectives:

The Group is one of the largest contract companies servicing the Australian underground coal mining industry. The Group is geographically diversified, with offices in Campbelltown NSW, Rutherford NSW and Mackay QLD and work undertaken in all major coal regions (the Illawarra, the Hunter Valley, the Western and Gunnedah regions of NSW and Bowen Basin in Queensland). The Group has a diversity of clients (Anglo Coal, BHP Billiton, BMA, Boral, Centennial, Glencore, Peabody, Vale, Whitehaven and Yancoal) and coal types (thermal and metallurgical).

The Group's objective is to provide value-add services to our clients by forging profitable long term partnerships. We provide each project/ mine with competent work teams, fit for purpose equipment and excellent site management backed by a supportive corporate management team. The Group uses safe and efficient work methods that enable on time completion of all works and services to the clients' requirements.

7. Operating and Financial Review

Operation Review

- Safety performance continues in the best quartile for the sector, with recordable injury frequency rate decreased by 29% over the past twelve months;
- Man-hours worked decreased by 43%; New contracts awarded, including:
 - Initial installation of longwall system at Glencore's new Ulan West mine;
 - Longwall relocation assistance at Yancoal's Austar mine;
 - Conveyor installations at Illawarra Coal's Appin mine and Peabody's Wambo mine; and
 - Civil work project associated with Illawarra Coal's Appin mine expansion (Area 9) (15 month term);
- Maintained the majority of existing long-term ongoing and recurring work contracts;
- Successfully completed the companies first overseas longwall project; and
- Introduce a new national enterprise agreement.

The Group provides mining services in the Illawarra, Hunter Valley, Gunnedah, the Western regions of NSW, and the Bowen Basin in Queensland. Our clients are blue-chip mining and resource companies, including Anglo Coal, BHP Billiton, BMA, Boral, Caterpillar Global Mining, Centennial, Glencore, Peabody, Vale, Whitehaven and Yancoal. The Group prides itself on its long term relationships, with some clients having been with the Group for more than ten (10) years.

With up to 350 personnel, the Group is proud of its workforce and its focus on their safety and welfare. Improved Safety performance confirms the change in Group's safety culture from one of compliance to one of commitment. Both site management and employees have worked extremely hard to achieve this splendid result. Our leading safety indicators remained on target with one leading initiative performed for every 9.8 hours worked. The Group strategy is to own/use a "fit for purpose" equipment fleet and our skilled and motivated personnel have enabled the Group to continue to be the premier Australian contractor for longwall moves in particular. The Group has now completed over 113 longwall projects for clients over the past 15 years, with seven of these being in FY14, including our first international project in India. No other contractor comes close to this achievement or has the ability to perform complete turnkey projects.

During the period the Group's continuing work included:

- Roadwork development (two units), secondary support, drill and blast activities and outbye service at Illawarra Coal's Appin mine;
- Secondary support and outbye services at Peabody's Metropolitan mine;
- Longwall moves at Glencore's Blakefield and Tahmoor mines, Peabody's Wambo mine, Yancoal's Austar mine and Whitehaven's Narrabri mine (twice);
- Initial longwall installations at Glencore's new Ulan West mine and Singareni Collieries Company Limited's (SCCL) new Adriyala Coal Mine (in Andhra Pradesh, on the south-eastern coast of India);
- Conveyor installations at Illawarra Coal's Appin mine and Peabody's Wambo mine;
- Commenced civil work associated with mine expansion at Illawarra Coal's Appin mine; and
- Whole of mine operations to September 2104 then care and maintenance, at Boral's Berrima coal mine till September 2014.

Operating and Financial Review continued

Boral's Berrima mine was placed on care and maintenance in the 2nd quarter due to various reasons, largely lower alternative cheaper coal availability and the uncertainty caused by the decision of the Land and Environment Court to overturn the State Government's earlier approval of the part 3A application for a further twenty year operating life for the mine.

Business Strategy

The Group's business strategy still remains based on:

- **People** – Have a competent workforce
- **Plant** – Utilising Fit for Purpose plant and equipment to provide a safe and competitive advantage
- **Products** – Where there are few/no competitors and the product can enhance the utilisation of our People and Plant

Other key aspects of our business strategy are:

- Proactive Safety Management
- Providing competitive value-add services to clients
- Forging profitable long term partnerships.
- Diversity of client base and service/product offerings
- Focus on Asset Management
- Developing and implementing innovative mining solutions
- Using efficient internal management systems and controls

Outlook

Looking ahead the current coal sector downturn is expected to continue. However, as clients' continually seek further cost reductions, the alternative much cheaper and potentially more productive out sourcing solutions now available could revitalise the contractor sector and the Group is well positioned if such circumstances arise. This is clearly reflected in the recently award of new contracts commencing in next financial year, including

- o Illawarra Coal's Appin mine inbye and outbye mine services (2 year term)
- o Illawarra Coal's Appin and West Cliff mine's supplementary labour (2 year term)
- o BMA's Crinum mine conveyor installations and salvage (8 month term).

Our current contracts for the Appin Area 9 expansion project (roadway development and excavation/civil) and Berrima will continue, while our current contract at Metropolitan will continue for at least another quarter. We also expect that our typical recurring work will continue due to our recently introduced more competitive solutions. Our current workbook (excluding non-contractual recurring work) for the next two years remains positive at \$80 million, with the FY15 portion of this workbook to \$51 million

The tender "pipeline" activity has recently significantly increased reflecting both expansion of existing and new mine developments in anticipation of increasing production requirements post 2016. Currently the Group has over \$300 million active enquiries, with an expectation of a further \$900 million of enquiries to occur in this financial year

Financial Review - Statutory Profit/ (Loss)

A summary of the operating results is as follows:

Summary of Consolidated Financial Results	2014	2013	% decrease
<i>In thousands of dollars</i>			
Revenue	69,346	145,114	52%
EBITDA	29	16,599	100%
Loss attributable to owners of the company (NPAT)	(42,826)	7,072	706%
Basic EPS	(90.41c)	15.68c	(677%)

Outlook continued**Underlying Profits/Loss (not subject to audit procedures)**

Underlying loss has been presented to assist in the assessment of the relative performance of the Group. Underlying profit is non-IFRS financial information and has not been subject to audit by the Group's external auditors.

To determine underlying net profits after tax as shown in the table below, adjustments have been made including impairment of goodwill costs of \$29,302 million, impairment of asset held for sale/kept for sustainable operation costs of \$11,318 million, restructuring costs of \$1,593 million (2013: \$966,000) and valuation of options being a non-cash item which was not part of our normal course of business.

Summary of Underlying Financial Results	2014	2013	% decrease
<i>In thousands of dollars</i>			
Revenue	69,346	145,114	52%
EBITDA	2,129	17,980	88%
Profit/(Loss) attributable to owners of the company (NPAT)	(1,797)	8,038	122%
Basic EPS	(3.74c)	17.82c	121%

As at 30 June 2014 majority of the Groups debt was asset based funding. Our interest cover and gearing were (26.7) and 89% respectively. The Group has paid dividends to our shareholders for each of the past five years. The Company implemented a Dividend Re-Investment Plan associated with the 2012-2013 final dividend, which raised \$837k. The majority of funds from the DRP were used to reduce debt. No dividend has been declared since August 2013.

Significant Changes in the State of Affairs

In the opinion of the Directors there were significant changes in the state of affairs of the Group that occurred during the financial year under review. As per ASX announcements the Group has implemented an organisational restructure, disposal of the longwall fleet and subsequent reduction in debt. The Group retains longwall expertise and a substantial fleet of equipment for sustainable and expansion of current operations. The associated asset sales agreement allows the Company to hire any required equipment to enable the Company to undertake and complete "turnkey" longwall move projects.

8. Environmental regulation

Other than operations undertaken as part of contracts of work with clients, the Group is not directly subject to any specific State or Federal license conditions. The Group holds the licence for the Berrima mine and there were no material breaches of any licence conditions during the year.

The Group is committed to achieving a high standard of environmental performance. Management and staff are responsible for regular monitoring of environmental exposures and compliance with environmental regulations.

All other operations are undertaken as part of works with clients.

9. Dividends

Dividends paid or declared by the Group to shareholders since the end of the previous financial year were declared and paid during the 2014 financial year without previously being recognised as a liability.

Declared and paid during the year 2014

<i>In thousands of dollars</i>	Cents per share	Total Amount	Franked / Unfranked	Date of payment
Final 2013 ordinary	1.80	\$837	Franked	26 September 2013

Declared after the end of year

After the balance sheet date there have been no dividends declared by the Directors

10. Remuneration Report - unaudited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including Directors of the Group and other executives. Key management personnel comprise the Directors of the Group and senior executives for the Group.

In relation to remuneration matters, the Board has charters and policies that are established to review the remuneration arrangements and practices of the Group to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain desirable Directors and key management personnel.

The remuneration structures reward the achievement of objectives that result in the outcome of creation of value for shareholders. The Remuneration Committee reviews and recommends to the Board matters of remuneration policy, specific recommendations in relation to senior management and matters concerning equity plans and awards.

Compensation packages include a mix of fixed and variable compensation (short-term and long-term performance-based incentives).

In addition to their salaries the Group provides non-cash benefits to key management personnel and contributes to a post-employment superannuation fund on their behalf.

Executive Remuneration

There are three (3) general components of remuneration used to reward key employees, including Executive Directors', depending on their role and responsibility and profitability of the Group:

1. Total fixed remuneration;
2. Short term incentives (payable as cash); and
3. Long term incentives (payable in shares).

Total fixed remuneration

Total fixed remuneration comprises base salary, any relevant allowances, other non-monetary benefits including motor vehicle allowances and the statutory superannuation guarantee contribution. Total fixed remuneration is set with reference to market data, reflecting the scope of the role and the performance of the person in the role. Total fixed remuneration also reflects any market premium required for roles that are in short supply or with a unique skill set. Remuneration is reviewed annually using market surveys, and internal feedback as to market conditions, to provide analysis and advice to ensure competitive remuneration is set to reflect the market for comparable roles, wherever comparisons to similar roles within relevant market sectors can be made. Non-monetary benefits include the use of Company supplied motor vehicles.

Remuneration Report – unaudited continued**Short Term Incentive Plan (STIP)**

The Group has established a Short Term Incentive Plan (STIP) to achieve the following objectives:

- focus key employees on the achievement of key Group and business unit targets as well as individual contribution that the Board believes will lead to sustained and improved business performance; establish a variable remuneration arrangement that links performance with reward and recognises superior performance, if achieved; and
- clear and focused performance targets are important to both the Group and its key employees. The incentive offered under the STIP will vary depending upon relative performance against Board approved targets which measure the Group's business unit and the individual's performances.

The STIP design is based on financial, health, safety and environmental and personal metrics, the financial metrics include performance measures so that incentives are not paid in circumstances where the financial performance of the Group and/or business unit is below expectations. Conversely, the available incentive increases in line with the performance of the Group and/or business unit and the commensurate increase in shareholder value.

The metrics, weightings and performance measures are regularly reviewed to ensure business needs are met and the overall STIP is consistent with general market practices. Such plans are a key tool to allow the Group to attract and retain talented employees and ensure the interests of employees are aligned with those of Shareholders in creating long-term Shareholder value.

The performance evaluation in respect of the year ended 30 June 2014 has taken place in accordance with this process.

Long Term Incentive Plan (LTIP)

The objective of the Long Term Incentive Plan (LTIP) is to recognise the commitment and efforts of selected key personnel for their contribution to the success of the business and in growing the Group.

The Group has implemented a LTIP with the following objectives:

- the retention of key personnel;
- enhance employee involvement and focus;
- earnings per share growth;
- wealth creation and distribution among the key personnel; and
- focus key personnel on the achievement of targets leading to improved Group performance and ultimately generation of Shareholder wealth.

The LTIP is offered to nominated key employees, shares in the company under a service condition. It is based on a percentage value of their current salary package allocated in the form of shares. These shares are held in trust via the Employee Share Plan (ESP) and no entitlement exists until service conditions are achieved including being an employee at that date. The new LTIP offers (post 30 June 2012) also take into account EPS growth compared to peer companies (including ASX codes MYE, WDS, MLD and MAH).

Remuneration Report – unaudited continued**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has regard to the following indices in respect of the current financial year and the previous four (4) financial years.

<i>In thousands of dollars</i>	2014	2013	2012	2011	2010
Profit/(Loss) attributable to owners of the company	(\$43,254)	\$7,072	\$6,187	\$4,755	\$4,584
Dividends paid <i>Dividends are recognised in the year paid but are based on prior years profits.</i>	\$837	\$1,928	\$2,248	\$1,376	\$700
Change in share price (in dollars)	(\$0.22)	(\$0.42)	(\$0.05)	\$0.00	N/A
Return on capital employed	(199%)	24%	22%	22%	24%

Profit is considered as one of the financial performance targets in setting the STIP. Profit amounts for the above periods have been calculated in accordance with Australian Accounting Standards.

The overall level of key management personnel compensation takes into account the performance of the Group over a number of years. The key management personnel STIP bonus is made up of Company and personal Key Performance Indicators (KPI). This takes into account the performance of the Group including EPS growth for the respective year.

Service Contracts

It is the Group's policy that service contracts for key management personnel are for a minimum five (5) year term and are capable of termination with a minimum of three (3) months' notice.

The key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year by the Remuneration Committee with recommendations to the Board taking into account cost-of-living changes, any change in the scope of the role performed, industry and comparable ASX Company benchmarking and any changes required to meet the principles of the remuneration policy.

Non-Executive Director Remuneration**Fees**

Non-Executive Director fees are determined within an aggregate Directors' fee pool limit, which may be approved by shareholders in a general meeting (the current limit is \$450,000). During the year ended 30 June 2014, \$252,449 (2013: \$273,000) has been expensed.

It is important that Directors are paid comparable with market practice, so as to be able to attract and retain Directors who have appropriate skills, experience and expertise necessary for a the Group's Board membership. However, in light of the current market situation, Directors have agreed to reduce their fees by 15% from 1st November 2013.

Non-Executive Director Remuneration continued***Fees continued***

From 1st November 2013 directors were paid in the following manner:

- \$85,000 per annum for the Group's Chairman, with no further payments to be made in respect of Committee positions held; and
- \$55,250 per annum for other Non-Executive Directors. If they serve as a Chairman of a Committee that assist and provides recommendations to the Board to enable the Board to carry out its function, they will receive additional payment at a rate of \$5,100 per annum for this task. If they serve as a member of a Committee of the Board they will receive an additional payment at a rate of \$2,550 per annum for this task. If they provide any other tasks as requested by the Chairman and or Chief Executive Officer they will receive an additional payment of up to \$1,700 per day, depending on the scope of work, as approved by the Chief Executive Officer/Board All payments are inclusive of superannuation payments required under law.

Retirement Benefits

Non-Executive Directors do not receive retirement benefits.

10 Remuneration Report - unaudited continued

Remuneration report Directors' and executive officers' remuneration

Details of the nature and amount of each element of remuneration of each Director of the Company and other key management personnel of the consolidated entity are:

In dollars		Short Term					Post-Employment	Long Term		Termination Benefits	Total	Options and rights	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary	Director's fees	Committee fees	Non-monetary benefits	Short Term Incentive Cash Bonus	Superannuation benefits	Long Term Incentive Shares Bonus	Long Service Leave						
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Directors															
Non-Executive Directors															
Mr. G. Galt	2014		90,000								90,000		90,000		
	2013		-	100,000	-	-	-	-	-	-	100,000	-	100,000	-	-
Mr. G. Garside	2014	11,799	58,500	10,800							81,099		81,099		
	2013	-	65,000	12,000	-	-	-	-	-	-	77,000	-	77,000	-	-
Mr. G. Dawkins	2014	9,350	58,500	13,500							81,350		81,350		
	2013	16,000	65,000	15,000	-	-	-	-	-	-	96,000	-	96,000	-	-
Executive Directors															
Mr S. Bizzaca	2014	265,282			61,941	20,298	29,246		-818		375,949		375,949	5%	
	2013	337,515	-	-	90,000	178,477	24,222	42,804	21,399		694,417	-	694,417	32%	-
Executives															
4Mr A McFadden (Chief Financial Officer and Company Secretary)	2014	294,386			7,289	19,421	25,152		7,342	67,980	421,570	-	421,570	4%	
	2013	276,975	-	-	30,000	115,285	24,729	72,900	7,278		527,167	-	527,167	36%	-
Mr T Jackson (Business Development and Executive General Manager)	2014	303,060			13,784	13,543	27,981		6,981	75,625	440,974		440,974	4%	
	2013	301,202	-	-	30,000	90,809	27,511	82,438	7,829		539,789	-	539,789	32%	-

10 Remuneration Report - unaudited continued

Remuneration report Directors' and executive officers' remuneration continued

In dollars		Short Term					Post- Employment	Long Term		Termination Benefits	Total	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary	Director's fees	Committee fees	Non-monetary benefits	Short Term Incentive Cash Bonus		Superannuation benefits	Long Term Incentive Shares Bonus					
		\$	\$	\$	\$	\$	\$	\$	\$		\$	\$	%	%
Mr J. Richardson (General Manager NSW North)	2014	293,468			8,476	24,964	26,386		6,583		359,877	359,877		
	2013	295,203	-	-	25,000	58,949	26,021	73,830	9,653		488,656	488,656	27%	-
Mr D. Roach (General Manager HSC&E)	2014	219,548			19,357	18,031	20,587		5,136		282,659	282,659	6%	
Mr N. Marvell (General Manager NSW South)	2014	239,221				15,750	24,276		7,086		286,333	286,333	6%	
	2013	266,758	-	-	-	58,104	23,451	61,313	6,573		416,199	416,199	29%	-
Mr G. Janson (General Manager Berrima)	2014	160,282					16,552	-	4,831	61,215	242,880	242,880		
	2013	225,808	-	-	-	40,857	22,269	60,659	6,958		356,551	356,551	28%	-

10 Remuneration Report - unaudited continued

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each Director of the Company and other key management personnel are detailed below:

<i>In dollars</i>	Short Term incentive bonus		
	Included in remuneration	% vested in year	% forfeited in year (b)
Directors			
Executive Directors			
Mr S Bizzaca (Managing Director and CEO)	20,298	12%	88%
Executives			
Mr A McFadden (Chief Financial Officer and Company Secretary)	19,421	18%	82%
Mr T Jackson (Business Development and Executive General Manager)	13,543	13%	87%
Mr J Richardson (General Manager NSW North)	24,964	35%	65%
Mr N Marvell (General Manager NSW South)	15,750	24%	76%
Mr D Roach (General Manager HSC&E)	18,031	32%	68%

- (a) amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of safety, financial and personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2014 financial year; and
- (b) the amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Options granted to directors and executives of the Group

The following options have been issued as part of the consideration for acting as an advisor to the company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and Shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
Geoff Garside Executive Director	312,500 exercisable over 312,500 ordinary shares	\$1.00	From the date that is one year after the Quotation Date until the Expiry Date	The vesting conditions described in the paragraph below*	4 years after the date the Quotation on ASX - 20 December 2014

* The options issued to Geoff Garside can only be exercised if the share price on or after the beginning of the exercise period exceeds the share price that shares would have attained if they had appreciated at a rate which was at or above the small ordinaries accumulation index over the period since the ASX listing. In addition, they must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

No options have been granted to Directors or Executives of the Group during or since the end of the financial year.

End of unaudited Remuneration Report.

11. Directors' interests and share options

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the Group and other related bodies corporate, at the date of this report is as follows:

Shareholder	Related party of	Delta SBD Limited – Ordinary Shares
SBD Nominees as trustee for SBD Trading Trust	Stephen Bizzaca	12,362,420 (26.6%)
Titanwood Holdings Pty Ltd)	Stephen Bizzaca	4,590,599 (9.6%)
Trinity Management Group Pty Ltd (via the Delta SBD Employee Long Term Incentive Plan	Stephen Bizzaca	171,484 (0.4%)
Dawkins Enterprises Pty Ltd	Glyn Dawkins	10,708,930 (22.5%)
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	Glyn Dawkins	2,180,373 (4.6%)

Options granted to directors and executives of the Group

The following options have been issued as part of the consideration for acting as an advisor to the company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and Shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
New Holland Capital (an entity associated with Gordon Galt, a Director)	2,500,000 exercisable over 2,500,000 ordinary shares	\$1.00	From Quotation Date until the Expiry Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015
Geoff Garside Executive Director	312,500 exercisable over 312,500 ordinary shares	\$1.00	From the date that is one year after the Quotation Date until the Expiry Date	The vesting conditions described in the paragraph below*	4 years after the date the Quotation on ASX - 20 December 2014

* The options issued to Geoff Garside can only be exercised if the share price on or after the beginning of the exercise period exceeds the share price that shares would have attained if they had appreciated at a rate which was at or above the small ordinaries accumulation index over the period since the ASX listing. In addition, they must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

No options have been granted to Director's or Executives of the Group during or since the end of the financial year.

12. Events subsequent to reporting date

Significant capital equipment was disposed of during August 2014. In second half of FY 2014 the Board was heavily engaged with reviewing its strategic direction and had resolved to implement a debt reduction strategy by disposal of selected assets which had been identified pre 30 June 2014. The applicable assets are disclosed in the "Statement of Financial Position" as "assets held for sale", and per notes to the accounts, items 13 and 14. As sales cash proceeds are received they will be applied against the hire purchase liabilities; which is disclosed in item 17 of notes to the accounts.

Events subsequent to reporting date continued

The sale of these assets will be applied to existing financing liabilities and an anticipated residual hire purchase liability of approximately \$1 million.

13. Likely developments

The Group will continue to pursue its policy of increasing the profitability and market share of its major business activities during the next financial year. No further investments in equipment are anticipated in the short to mid-term. Investigation will continue in the area of mergers and acquisitions and the development and implementation of innovating mining concepts.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

14. Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify the following current Directors, advisors and officers of the Company:

- Gordon Galt – Chairman and Non-Executive Director;
- Stephen Bizzaca – Executive Director and Chief Executive Officer;
- Glyn Dawkins – Non-Executive Director;
- Geoff Garside – Executive Director and Company Secretary

against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or officers of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or pecuniary penalty order under Corporations Act 2001 section 1317G or a compensation order under Corporations Act 2001 section 1317H or 1317HA. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify the current Directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or pecuniary penalty order under Corporations Act 2001 section 1317G or a compensation order under Corporations Act 2001 section 1317H or 1317HA. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify certain senior executives for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith or pecuniary penalty order under Corporations Act 2001 section 1317G or a compensation order under Corporations Act 2001 sections 1317H or 1317HA.

Insurance premiums

During the financial year the Company has paid premiums of \$32 thousand (2013: \$33 thousand) (exclusive of stamp duty and GST) on behalf of the parent and its subsidiaries in respect of Directors' and officers' liability for the year ended 30 June 2014. Such insurance contracts insure against certain liability (subject to specific exclusions) for persons who are or have been Directors or executive officers of the parent and its subsidiaries.

15. Proceedings on behalf of the Company

Nil applicable.

16. Non-Audit Services

During the year KPMG, the Group's auditor, has performed other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Compliance Committee, is satisfied that the provision of those non audit services during the year 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 and Compliance 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 as an advocate for the company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG and its related practices for audit and non-audit services provided during the year are set out below.

<i>In dollars</i>	2014	2013
Audit services		
Auditors of the Group <i>KPMG Australia</i> :		
Audit and review of financial reports	136,370	146,645
Other services		
<i>KPMG Australia</i> :		
Tax Compliance and Advisory	15,100	14,318
Audit Contributions to Coal Mines Long Service Leave Board	5,000	2,100
Tax advisory in relation to Research & Development	10,000	60,000
GST Audit	-	5,175
Total recurring other services	30,100	81,593
Total other services	30,100	81,593

17. Lead Auditor's independence declaration

The Lead Auditor's independence declaration will be forthcoming upon completion of the audit.

18. Rounding off

The Group 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.

Signed in accordance with a resolution of the Directors



Gordon Galt

Chairperson

Place: Campbelltown

Date: 29 August 2014



Stephen Bizzaca

Director

Place: Campbelltown

Date: 29 August 2014

DELTA SBD LIMITED

Statement of Financial Position

As at the 30 June 2014

		Consolidated	
<i>In thousands of dollars</i>	Note	2014	2013
Assets			
Cash and cash equivalents	9	1,048	5,934
Trade and other receivables	10	12,979	25,114
Inventories	11	863	1,534
Other current assets	12	245	221
Current tax assets	18	-	716
Assets held for sale	13	17,011	-
Total current assets		32,146	33,519
Deferred tax assets	18	1,516	2,278
Trade and other receivables	10	-	402
Other non-current assets	12	192	1,684
Property, plant and equipment	14	8,829	44,676
Intangible assets	15	110	29,412
Total non-current assets		10,647	78,452
Total Assets		42,793	111,971
Liabilities			
Trade and other payables	16	5,175	14,872
Loans and borrowings	17	10,932	9,075
Employee benefits	19	5,253	6,663
Current tax payable	18	(338)	1,905
Total current liabilities		21,022	32,515
Loans and borrowings	17	4,206	16,026
Employee benefits	19	174	261
Deferred tax liabilities	18	1,169	3,838
Total non-current liabilities		5,549	20,125
Total liabilities		26,571	52,640
Net assets		16,222	59,331
Equity			
Share capital	20	38,592	38,036
Reserves	22	946	946
Accumulated profits		(42,826)	7,072
Retained earnings		19,510	13,278
Total equity attributable to equity holders of the Company		16,222	59,331
Total equity		16,222	59,331

The notes on pages 37 to 75 are an integral part of these financial statements

DELTA SBD LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

<i>In thousands of dollars</i>	Note	Consolidated	
		2014	2013
Continuing operations			
Revenue	6	69,346	145,114
Gain/(Loss) on sale of assets		(505)	12
Employee benefits expense		56,841	87,711
Materials and consumables		8,019	32,757
Other expenses		4,010	8,059
Impairment- Property, Plant and Equipment		10,261	-
Depreciation		3,781	4,571
Intangibles amortisation		29,302	137
Results from operating activities		(43,373)	11,891
Finance income	7	34	163
Finance costs	7	(1,658)	(2,285)
Net finance costs		(1,624)	(2,122)
Profit/(Loss) before income tax		(44,997)	9,769
Income tax (benefit)/expense	8	(2,171)	2,697
Profit/(Loss) from continuing operations		(42,826)	7,072
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period		(42,826)	7,072
Basic Earnings per share (cents)	21	(90.41c)	15.68c
Diluted Earnings per share (cents)++	21	(84.30c)	14.57c

The notes on pages 37 to 75 are an integral part of these financial statements

DELTA SBD LIMITED

Statement of Changes in Equity

For the year ended 30 June 2014

Consolidated	Share capital	Options reserve	Accumulated Profits	Retained earnings	Total
<i>In thousands of dollars</i>					
Balance at 1 July 2012	37,102	946	-	15,206	53,254
Total comprehensive income for the period					
Profit	-	-	7,072	-	7,072
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	7,072	-	7,072
Transactions with owners, recorded directly in equity					
Employee Share Plan	246	-	-	-	246
IPO Costs	(119)	-	-	-	(119)
Dividend to equity holders (September 2012)	-	-	-	(1,121)	(1,121)
Dividend to equity holders (April 2013)	-	-	-	(807)	(807)
Share based payment transactions	807	-	-	-	807
Balance at 30 June 2013	38,036	946	7,072	13,278	59,331
Consolidated					
	Share capital	Options reserve	Accumulated Profits	Retained earnings	Total
<i>In thousands of dollars</i>					
Balance at 1 July 2013	38,036	946	7,072	13,278	59,331
Total comprehensive income for the period					
Loss	-	-	(42,826)	-	(42,826)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(42,826)	-	(42,826)
Transactions with owners, recorded directly in equity					
Dividend to equity holders (September 2013)	-	-	-	(837)	(837)
Shares issued – dividend reinvestment plan	556	-	-	-	556
Balance at 30 June 2014	38,592	946	(35,754)	12,441	16,224

The notes on pages 37 to 75 are an integral part of these financial statements

DELTA SBD LIMITED

Statement of Cash Flows

For the year ended 30 June 2014

In thousands of dollars

	Note	Consolidated	
		2014	2013
Cash flows from operating activities			
Cash receipts from customers		81,192	157,749
Cash paid to suppliers and employees		(79,394)	(141,137)
Cash generated from operations		1,798	16,612
Interest paid		(1,658)	(2,285)
Income taxes paid		(1,263)	(2,103)
Net cash from operating activities	9b	(1,123)	12,224
Cash flows from investing activities			
Interest received		32	163
Proceeds from sale of assets		5,055	-
Acquisition of property, plant and equipment		(765)	(10,118)
Acquisition of intangibles		-	(165)
Net cash (used in) investing activities		4,322	(10,120)
Cash flows from financing activities			
Proceeds from the issue of share capital		667	595
HP funding received for acquisition of PP&E		-	8,122
Proceeds from/(payment of) non-current security deposits		1,492	346
Payment of hire purchase loan liabilities		(10,015)	(8,414)
Proceeds from Shareholder Loans		650	-
Repayment of loans from shareholders		(522)	(501)
Payment of finance lease liabilities		(76)	-
Cash payment of dividends to ordinary shareholders		(281)	(1,415)
Net cash (used in)/from financing activities		(8,085)	(1,267)
Net increase/(decrease) in cash and cash equivalents		(4,886)	837
Cash and cash equivalents as at 1 July		5,934	5,097
Cash and cash equivalents at 30 June	9	1,048	5,934

The notes on pages 37 to 75 are an integral part of these financial statements

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

1. Reporting Entity

Delta SBD Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Suite 220, 4 Hyde Parade Campbelltown NSW, 2560. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a for-profit entity primarily involved in the provision of a full range of services to the underground coal mining industry along the Australian eastern seaboard. The services include whole of mine management, longwall relocations, underground roadway development, general labour and equipment hire in support of customer requirements.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements of the Group were authorised for issue by the Board of Directors on the 28 August 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- share based payment transactions are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

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

The Group 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.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- note 15 – determining the cash generating unit of the Group.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

2 Basis of preparation continued

(d) Use of estimates and judgements continued

- note 15 – Measurement of the value in use of the cash generating unit containing goodwill; and
- note 27 – Measurement of share based payments.

(e) *Changes in accounting policies*

Presentation of transactions recognised in other comprehensive income

From 1 July 2012 the Group applied amendments to AASB 101 *Presentation of Financial Statements* outlined in AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*. The change in accounting policy only relates to disclosure and has had no impact on consolidated earnings per share or net income. The changes have been applied retrospectively and require the Group to separately present those items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. These changes are included in the statement of profit or loss and other comprehensive income.

(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 meet the mandatory repayment terms of the banking facilities as disclosed in Note 23.

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 incorporate the assets and liabilities of the subsidiaries of Delta SBD Limited as at 30 June 2014 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the Group entity.

i) *Business Combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

ii) *Acquisitions of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

iii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial accounts from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

iv) *Loss of control*

Upon the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

v) *Transactions eliminated on consolidation*

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

(b) Financial instruments

i) *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. The Group de-recognises 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.

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.

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(b) Financial instruments continued

Loans and receivables

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with original maturities of three months or less.

ii) *Non-derivative financial liabilities*

The Group initially recognises non-derivative financial liabilities on the date they are originated. The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial liabilities and assets 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 Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

iii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. 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.

Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(c) Property, plant and equipment

i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and, any other costs directly attributable to bringing the asset to a working condition for its intended use and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(c) Property, plant and equipment continued

ii) Subsequent costs

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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line or units of production (UOP) basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Class	Life	Basis
Plant and equipment – Owned	2-10 years	Straight Line/UOP
Plant and equipment – Financed	2-10 years	Straight Line/UOP
Motor Vehicles	4-5 years	Straight Line
Fixtures and Fittings	5 years	Straight Line

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(d) Intangible assets

i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3(a)(i).

ii) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

v) Amortisation

Amortisation is calculated over the cost of the asset, or another amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- business systems: Three (3) years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(e) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at the lower of their fair value or at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Subject to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(f) Work in progress

Work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Work in progress is presented as part of trade and other receivables in the statement of financial position. If payments received from customers exceed the income recognised, then the difference is presented as deferred income in the statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them 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.

(h) Impairment of assets

i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a material negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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 the current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(h) Impairment of assets continued

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. For goodwill, and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit 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.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (Group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

(i) Employee benefits

i) Short Term Benefits – Wages and salaries, annual leave, sick leave and annual bonus

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the employee benefits provision in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii) Long Term Benefits – Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The Group participates in a compulsory coal mine long service scheme. A payroll levy is contributed to an industry fund that is liable for the payment of long service leave benefits.

iii) 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

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

iv) *Share based payments*

Share based compensation benefits are provided as detailed in Note 26.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance and service criteria). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

v) *Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(j) **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. 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.

(k) **Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

i) *Services*

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

ii) *Contracts*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(k) Revenue continued

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

iii) Equipment

Equipment is charged at a fixed rate per week or included as part of fixed price contracts. Revenue for the hire of equipment is recognised in the profit and loss in the period in which the equipment was utilised.

(l) 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, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. 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 that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(n) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, 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 using the balance sheet method, providing for 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 in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- for taxable temporary differences arising on the initial recognition of goodwill.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(n) Income Tax continued

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 cash dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(o) Goods and services tax

Revenues, 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 Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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 and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) 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.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(p) Earnings per share continued

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares and all share options.

(q) Segment reporting

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

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. All operating segment's operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

(r) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

(s) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective, but not mandatory for annual periods beginning after 1 July 2013, and have not been applied in preparing these consolidated financial statements. Those standards with the most significant impact on Group's consolidated financial statements are outlined below:

IFRS 9 Financial Instruments (2010, IFRS 9 Financial Instrument (2009))

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 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. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

3 Significant accounting policies continued

(s) New accounting standards and interpretations continued

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

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. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

b) 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. For finance leases the market rate of interest is determined by reference to similar lease agreements.

c) Share-based payment transactions

The fair value of employee share options is measured using a binomial model. Measurement inputs include share price on measurement date, strike price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

5. Controlled Entities

Delta SBD Limited is the ultimate Parent Entity of the Group. The country of incorporation is Australia.

Name of Entity	Country of incorporation	Principal Activity	2014 Percentage Owned (%)	2013 Percentage Owned (%)
Delta Mining Pty Ltd	Australia	Mining Services	100%	100%
SBD Services Pty Ltd	Australia	Mining Services	100%	100%
Delta Coal Mining Pty Ltd	Australia	Mining Services	100%	100%

6. Revenue

In thousands of dollars

	2014	2013
Contracting services	69,346	145,114
Total Revenue	69,346	145,114

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

7. Finance income and finance costs

Recognised in profit or loss.

<i>In thousands of dollars</i>	2014	2013
Interest income	34	163
Finance income	<u>34</u>	<u>163</u>
Interest expense on financial liabilities measured at amortised cost	(1,658)	(2,285)
Finance costs	<u>(1,658)</u>	<u>(2,285)</u>
Net finance costs recognised in profit or loss	<u>(1,624)</u>	<u>(2,122)</u>

The above finance income and finance costs include the following in respect of assets (liabilities) (not at fair value through profit or loss):

Total interest income on financial assets	34	163
Total interest expense on financial liabilities	(1,658)	(2,285)

8. Income tax expense

In thousands of dollars

	2014	2013
Current tax expense		
Current year		2,239
Adjustment for prior periods		(430)
		<u>1,809</u>
Deferred tax expense		
Origination and reversal of temporary differences		<u>888</u>
Income tax expense from continuing operations		<u>2,697</u>
Total income tax expense		<u>2,697</u>

Numerical reconciliation between tax expense and pre-tax accounting profit

<i>In thousands of dollars</i>	2014	2013
Profit for the year		7,072
Total income tax expense		2,697
Profit excluding income tax		<u>9,769</u>
Income tax using the Company's domestic tax rate of 30%		<u>2,931</u>
Increase in income tax due to:		
Non-deductible expenses		-
Decrease in income tax due to:		
Tax incentives including research & development, investment allowance		(41)
Other deductible expenses		-
		<u>2,890</u>
Under/(over) provided in prior years		<u>(193)</u>
Total income tax expense		<u>2,697</u>

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

9. Cash and cash equivalents

<i>In thousands of dollars</i>	2014	2013
Current		
Bank balances	1,048	5,934
Total cash and cash equivalents in the statement of cash flows	1,048	5,934

9b Reconciliation of cash flows from operating activities

<i>In thousands of dollars</i>	2014	2013
Cash flows from operating activities		
Profit/(Loss) for the year	(42,826)	7,072
Adjustments for:		
Depreciation	3,781	4,571
Amortisation of intangible assets	55	137
Impairment of goodwill	29,247	-
Impairment assets held for sale	9,598	-
Impairment of property, plant and equipment	662	-
Net finance costs	1,624	2,122
Underwriting fees	-	(20)
Long term incentive plan	-	428
Loss on sale of property plant and equipment	(505)	(12)
Income tax expense	(2,174)	2,697
Operating profit before changes in working capital and provisions	472	16,995
Change in trade and other receivables	11,870	(862)
Change in inventories	671	(941)
Change in trade and other payables	(9,697)	94
Change in other assets	(24)	97
Change in employee benefits	(1,497)	1,229
Interest paid	(1,655)	(2,285)
Income taxes paid	(1,263)	(2,103)
Net cash from operating activities	(1,123)	12,224

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

10. Trade and other receivables

<i>In thousands of dollars</i>	2014	2013
Current		
Trade receivables	12,035	21,344
Loans to related parties	131	396
Other receivables	144	29
Amounts due from customers for contracts (work in progress)	669	3,345
	<u>12,979</u>	<u>25,114</u>
	2014	2013
Non-current		
Loans to related parties	-	402
	<u>-</u>	<u>402</u>

Trade receivables are non-interest bearing and settlement terms are generally within 30 days.

A provision for impairment is recognised when there is objective evidence that an individual or trade receivable is impaired.

There is \$669,173 (2013: \$3,344,702) receivable for construction contracts for assets which are not completed and services performed at 30 June 2014 for which an invoice has not been raised. This amount is disclosed net of GST.

11. Inventories

<i>In thousands of dollars</i>	2014	2013
Raw materials and consumables – at cost	863	1,534
	<u>863</u>	<u>1,534</u>

12. Other current assets

<i>In thousands of dollars</i>	2014	2013
Current		
Prepaid insurance	200	171
Other	45	50
	<u>245</u>	<u>221</u>
	2014	2013
Non-current		
Security deposits	192	1,684
	<u>192</u>	<u>1,684</u>

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

13. Assets held for sale

In the second half of FY 2014 the Board was heavily engaged in revising its strategic direction and had resolved to implement a debt reduction strategy by disposal of selected assets which had been identified for sale pre 30 June 2014.

In July 2014, the Group announced its intention to further reduce debt and improve cash flow by selling a number of pieces of equipment from the current longwall mobile fleet and mining equipment assets, whilst still retaining various assets for sustainable and expansion of operations. Efforts to sell the disposal group commenced with a sale via auction already held with continuing private treaty sales expected to be concluded by end of August 2014.

<i>In thousands of dollars</i>	2014	2013
Assets of Disposal Group Held for Sale		-
Plant and Equipment held for sale	2,102	-
Plant and Equipment under Finance held for sale	14,909	-
Assets Held for Sale	17,011	-

14. Property, Plant and Equipment

<i>In thousands of dollars</i>	2014	2013
Plant and equipment cost		
Balance at start of year	14,876	12,952
Additions	510	1,924
Reclassification to assets held for sale	(2,102)	-
Disposals	(49)	-
Balance at end of year	<u>12,688</u>	<u>14,876</u>
Depreciation and impairment losses		
Balance at start of year	(5,868)	(4,425)
	(1,574)	
Depreciation for the year		(1,443)
Impairment loss	(1,674)	
Disposals	5	-
Balance at end of year	<u>(9,112)</u>	<u>(5,868)</u>
Carrying value at end of year	<u>3,567</u>	<u>9,008</u>
Plant and equipment – under finance cost		
Balance at start of year	43,307	35,185
Additions	134	8,122
Reclassification to assets held for sale	(14,909)	-
Disposals	(6,083)	-
Balance at end of year	<u>23,004</u>	<u>43,307</u>
Depreciation and impairment losses		
Balance at start of year	(7,870)	(4,870)
Depreciation for the year	(2,114)	(3,000)
Impairment loss	(8,417)	-
Disposals	515	-
Balance at end of year	<u>(17,886)</u>	<u>(7,870)</u>
Carrying value at end of year	<u>5,117</u>	<u>35,437</u>
Motor Vehicles cost		
Balance at start of year	481	506
Additions	32	14

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

Disposals	(75)	(39)
Balance at end of year	437	481
Depreciation and impairment losses		
Balance at start of year	(415)	(405)
Depreciation	(24)	(49)
Disposals	39	39
Balance at end of year	(400)	(415)
Carrying value at end of year	37	66
Fixtures & Fittings cost		
Balance at start of year	585	515
Additions	9	70
Balance at end of year	594	585
Depreciation and impairment losses		
Balance at start of year	(420)	(341)
Depreciation for the year	(69)	(79)
Balance at end of year	(489)	(420)
Carrying value at end of year	105	165
Total property, plant and equipment		
Total cost	36,716	59,249
Total accumulated depreciation and impairment losses and assets transferred to held for sale	(27,886)	(14,573)
At year end	8,829	44,676

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

15. Intangible assets

<i>In thousands of dollars</i>	2014	2013
Goodwill cost		
Balance at start of year	29,247	29,247
Additions	-	-
Balance at end of year	<u>29,247</u>	<u>29,247</u>
Impairment losses		
Balance at start of year	-	-
Impairment loss	(29,247)	-
Balance at end of year	<u>(29,247)</u>	<u>-</u>
Carrying value at end of year	-	29,247
Business systems cost		
Balance at start of year	470	305
Additions	-	165
Balance at end of year	<u>470</u>	<u>470</u>
Amortisation and impairment losses		
Balance at start of year	(305)	(168)
Amortisation for the year	(55)	(137)
Balance at end of year	<u>(360)</u>	<u>(305)</u>
Carrying value at end of year	<u>110</u>	<u>165</u>
 Carrying amounts		
At year end	<u>110</u>	<u>29,412</u>

Following the operating loss within the group's one cash generating unit during the six months ended 31 December 2013 together with downgrades to future revenue as a result of the current sector downturn an impairment loss of \$29,247 million has been recognized. This impairment loss was allocated fully to goodwill reducing the goodwill to nil and is included in the impairment expense in the condensed consolidated statement of profit and loss or other comprehensive income.

The recoverable amount of Delta SBD's CGU was based upon its value in use. Value in use was determined by discounting the future cash flows expected to be generated. Value in use as at 31 December 2013 was determined similar to the 30 June 2013 goodwill impairment test and was based on the following key assumptions:

- cash flow projections cover an initial five (5) year period and are based on maintaining assets, actual operating results, budgets and market announcements regarding expected growth. The budget is based on contractual obligations where appropriate and then expectations of growth based on external and internal views of the sector. The current downturn in the coal and services sector was reflected in the budget.
- beyond this five (5) year period a long term growth rate of 3% into perpetuity was determined based on management's estimate of the long term growth rates applicable to the mining services industry;
- a pre-tax discount rate of 19.2% (2013: 19.2% was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on Delta SBD's weighted average cost of capital within the mining services sector, the current risk free rate of return based on using a two year average 5 and 10 year government bond rate (which reduced during FY13) adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the CGU; and

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

- the values assigned to the key assumptions represent management's assessment of future trends in the mining industry and are based on both external and internal sources including historical data.

Following the impairment loss recognized in the Group's one CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

16. Trade and other payables

<i>In thousands of dollars</i>	2014	2013
Trade payables	3,623	11,559
Non-trade payables and accrued expenses	1,552	3,313
	<u>5,175</u>	<u>14,872</u>

17. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

<i>In thousands of dollars</i>	2014	2013
Current		
Hire purchase loans	6,829	10,350
Unexpired hire purchase charges	(542)	(1,388)
Finance lease liabilities	37	113
Finance Facility	3,330	-
	<u>9,654</u>	<u>9,075</u>

<i>In thousands of dollars</i>	2014	2013
Non-current		
Hire Purchase loans	4,471	16,021
Unexpired hire purchase charges	(265)	(1,145)
Finance lease liabilities	-	-
Loans from shareholders	1,278	1,150
	<u>5,484</u>	<u>16,026</u>

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

Hire Purchase Liabilities

Hire Purchase Liabilities of the Group are payable as follows:

<i>In thousands of dollars</i>	Future minimum lease payments 2014	Interest 2014	Present value of minimum lease payments 2014	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease 2013
Less than one year	6,829	542	6,287	10,350	1,388	8,962
Between one year and five years	4,471	265	4,206	16,021	1,145	14,876
More than five years	-	-	-	-	-	-
	11,300	807	10,493	26,371	2,533	23,838

The hire purchase liabilities are fixed interest liabilities with an average interest rate of 7.22% and contractual terms of up to five (5) years.

Hire purchase liabilities are secured against the individual assets with a carrying value of \$5,117 thousand (refer note 13).

Further details of the hire purchases and lease repayments are included at note 22(c).

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

18. Tax assets and liabilities

Current tax assets and liabilities

The consolidated entity's current tax liability of (2013: \$1,905 thousand liability) represents the amount of income tax payable in respect of current and prior periods that arise from the payment of tax in deficit of the amounts due to the relevant tax authorities.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of dollars</i>	2014	2013
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Property, plant and equipment		116
Merger capital costs		7
Finance leases		-
Employee provisions		1,629
Other accruals		176
Tax losses recognised		350
Total deferred tax assets		<u>2,278</u>
Current tax assets		
Income tax receivable		716
Total current tax receivable		<u>716</u>
Current tax liabilities		
Income tax payable		1,905
Total current tax liability		<u>1,905</u>
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Property, plant and equipment		3,115
Inventory		723
Prepayment		-
Total deferred tax liabilities		<u>3,838</u>
Movements		
Deferred Tax Asset		
Opening balance at 1 July		1,462
(Charge)/credit to the income statement		816
Closing balance at 30 June		<u>2,278</u>
Deferred Tax Liabilities		
Opening balance at 1 July		2,134
Charge/(credit) to the income statement		1,704
Closing balance at 30 June		<u>3,838</u>

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

19. Employee benefits

<i>In thousands of dollars</i>	2014	2013
Current		
Liability for employee entitlements	5,253	6,663
Total employee benefits – current	5,253	6,663
	2014	2013
Non-current		
Liability for employee entitlements	174	261
Total employee benefits – non-current	174	261

Superannuation contributions for the year amounted to \$3,440 thousand (2013: \$5,244 thousand). These contributions have been included in employee benefits expense.

20. Capital

Share capital

<i>In thousands of AUD (except for shares)</i>	2014	2013
a) Share capital		
Authorised, issued and fully paid up ordinary shares 47,628,648 (2013: 46,518,766)	38,592	38,036
b) Movements in shares on issue		
	Consolidated 30 June 2014	
	No. of shares (000's)	\$000's
Beginning of the period	46,519	38,035
Ordinary shares		
Dividend Reinvestment Plan (DRP)	1,110	556
New issue DRP underwriting agreement		
Employee Share Plan (ESP)		
IPO Cost (GST)		
Total	47,629	38,592

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. 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.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

20. Capital continued

Dividends

The following dividends were declared and paid by the Group:

<i>In thousands of dollars</i>	Cents per share	Total Amount \$'000	Franked/Unfranked	Date of payment
2013				26 September 2013
Final 2013 Ordinary	1.8	\$837	Franked	

Prior year

<i>In thousands of dollars</i>	Cents per share	Total Amount \$'000	Franked/Unfranked	Date of payment
2013				17 April 2013
Interim 2013 Ordinary	1.8	\$807	Franked	
2012				21 September 2012
Final 2012 Ordinary	2.5	\$1,121	Franked	

Franked dividends declared or paid during the year were franked at the tax rate of 30%.

The cents per share is post IPO Conversion where shares were converted at a rate of 0.32583 for every share held. That is 1000 shares pre IPO post conversion equaled 326 shares value at IPO 80c per share on ASX listing date of 20 December 2010.

Declared after the end of year

After the balance sheet date no dividends have been declared for the 2014 financial year.

21. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of (\$43,254) thousand (2013: \$7,072 thousand) and a weighted average number of ordinary shares outstanding of 47.4 million (2012: 45.1 million), calculated as follows:

<i>In thousands of dollars</i>	2014	2013
Loss attributable to ordinary shareholders		
Loss for the period	(42,826)	7,072
Weighted average number of ordinary shares		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 July	46,519	44,820
Effect of shares issued - Dividend reinvestment plan September 2013	1,110	-
Effect of shares issued – Dividend reinvestment plan (underwritten) April 2013		113
Effect of shares issued - Dividend reinvestment plan April 2013		179
Effect of shares issued – Employee Share Plan June 2012		-
Effect of shares issued – Employee Share Plan June 2013		3
Weighted average number of ordinary shares (basic)	<u>47,629</u>	<u>45,115</u>
	Cents per share	Cents per share
Basic Earnings per share	<u>(90.41)</u>	<u>15.68c</u>

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

21. Earnings per share continued

Diluted Earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the loss attributable to ordinary shareholders of (\$43,254) thousand (2013: \$7,072 thousand) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 50.8 million (2013: 48.5 million), calculated as follows:

Loss attributable to ordinary shareholders	2014	2013
<i>In thousands of dollars</i>		
Loss for the period	(42,827)	7,072
Weighted average number of ordinary shares (diluted)		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 July	49,957	48,257
Effect of options issued* – (refer to note 26)	-	-
Effect of shares issued – Dividend reinvestment plan (underwritten) April 2014	848	113
Effect of shares issued - Dividend reinvestment plan April 2013	-	179
Effect of shares issued – Employee Share Plan June 2012	-	-
Effect of shares issued – Employee Share Plan June 2013	-	3
Weighted average number of ordinary shares (diluted)	<u>50,805</u>	<u>48,552</u>
	Cents per share	Cents per share
Diluted earnings per share	<u>(84.31c)</u>	<u>14.57c</u>

22. Share options reserve

	2014	2013
Balance as at 1 July	946	946
Movement in share options reserve	-	-
Balance as at 30 June	<u>946</u>	<u>946</u>

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against shares when the underlying shares vest to the employee.

23. Financial Instruments

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market 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 these consolidated financial statements.

23. Financial Instruments continued

a) Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and for developing and monitoring risk management policies.

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 risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 83% of the Group's revenue is attributable to sales transactions with three customers (2013: 58% and three customers). These customers for financial year 2013 and the customers in financial year 2012 are rated A1 by Moody's and A+ by Standards & Poor's. Geographically there is no concentration of credit risk.

Risk associated with customer revenue concentration are managed through the maintenance of regular customer contact and the monitoring of the delivery of service quality and customer satisfaction as well as the provision of a diverse range of specialised services to these customers plus other customer sites.

New customers are analysed individually for creditworthiness before the Group's standard payment and conditions are offered. The Group's review includes external ratings, when available.

More than 99% (2013: 77%) of the Group's customers have been transacting with the Group for over five (5) years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including parent company, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate to the Group's wholesale customers. Customers that are graded as "high risk" are closely monitored by the senior management team.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

23. Financial Instruments continued

Credit Risk continued

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

<i>In thousands of dollars</i>	<i>Note</i>	2014	2013
Cash & cash equivalents	9	(2,282)	5,934
Other non-current assets	12	192	1,684
Trade Receivables	10	12,179	21,373
Loans to related parties	10	131	798
Amounts due from customers for contracts	10	669	3,345
		<u>12,979</u>	<u>25,516</u>
		<u>10,889</u>	<u>33,134</u>

The ageing of trade and other receivables and related party receivables at the reporting date was as follows:

<i>In thousands of dollars</i>	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due	7,184	-	21,126	-
Past due 0 to 30 days	3,769	-	2,069	-
Past due 31 to 90 days	1,546	-	788	-
Past due 91 to 180 days	480	-	1,533	-
More than 181 days	-	-	-	-
	<u>12,979</u>	<u>-</u>	<u>25,516</u>	<u>-</u>

Trade receivables are non-interest bearing and settlement terms are generally within 30 days.

The movement in the allowance for impairment in respect of loan and receivables during the year was as follows:

<i>In thousands of dollars</i>	2014	2013
Balance at 1 July	-	-
Impairment loss recognised	-	-
Balance at 30 June	<u>-</u>	<u>-</u>

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due nor impaired.

ii) Investments

The Group limits its exposure to credit risk by only investing in major Australian Banks which have a credit rating of at least A-1 from Standard and Poor's and A from Moody's. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

c) Liquidity Risk

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

The Group uses activity-based costing to its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient cash on demand to meet expected operational

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

23. Financial Instruments continued

c) Liquidity Risk continued

expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- \$4,650,000 invoice discounting facility with Bibby Financial Services which charges interest based on Westpac Indicator Lending Rate. The facility is subject to quarterly reviews. For the purpose of calculating the ratio, shareholders loans are subordinated and Grouped with shareholder funds. Bibby has a fixed and floating charge over the assets of the Group as security for this facility.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Less than one year	1-5 years
30 June 2014				
Finance Facility	3,330	3,330	3,330	-
Trade and other payables	5,175	5,175	5,175	-
Hire purchase obligations	10,493	11,300	6,829	4,471
Finance lease liabilities	-	-	-	-
Shareholder loan repayments	1,278	1,278	-	1,278
	20,276	21,083	15,334	5,749
30 June 2013				
Trade and other payables	14,872	14,872	14,872	-
Hire purchase obligations	23,838	26,371	10,350	16,021
Finance lease liabilities	113	113	113	-
Shareholder loan repayments	1,150	1,248	-	1,248
	39,973	42,604	25,335	17,269

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The interest rate is based on market rates at the time of draw down.

d) Market risk

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

i) Interest Rate risk

The Group adopts a policy of ensuring that between 25% and 100% percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into fixed interest hire purchase agreements for financing major asset purchases.

23. Financial Instruments continued

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

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

<i>In thousands of dollars</i>	Carrying amount	
	2014	2013
Fixed rate instruments		
Financial assets		-
Financial liabilities	11,808	25,101
	<u>11,808</u>	<u>25,101</u>
	2014	2013
Variable rate instruments		
Financial assets	(2,090)	7,618
Financial liabilities		-
	<u>(2,090)</u>	<u>7,618</u>

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss after tax by nil (2013: \$175 thousand) .

A change of 100 basis points in interest rates would have increased or decreased the Group's equity by nil (2013: \$nil).

Cash flow sensitivity analysis for variable rate instruments

A change of 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. The analysis is performed on the same basis for 2014.

Cash flow sensitivity analysis for variable rate instruments

<i>In thousands of dollars</i>	Profit or loss after tax		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2014				
Variable rate instruments	50	(50)		
	<u>50</u>	<u>(50)</u>		
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2013				
Variable rate instruments	50	(50)	-	-
	<u>50</u>	<u>(50)</u>	<u>-</u>	<u>-</u>

e) Capital management

The Board's position is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

At present the Board has not set specific targets for employee holdings of the Company's shares, but does encourage participation by employees in acquisition of share capital.

Following is a summary of the current debt to equity position of the Group. The Board periodically reviews the financial ratios and targets at each meeting and the reported position is in line with financial risk management policy.

23. Financial Instruments continued

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

e) Capital management continued

<i>In thousands of dollars</i>	Consolidated	
	2014	2013
Total liabilities	26,571	52,640
Less: cash and cash equivalents and non-current deposits	(2,090)	7,618
Net debt	<u>28,661</u>	<u>45,022</u>
Total equity	16,222	59,331
Net debt-to equity ratio at 30 June	<u>177%</u>	<u>76%</u>

f) 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:

<i>In thousands of dollars</i>	30 June 2014		30 June 2013	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Assets carried at fair value				
Nil	-	-	-	-
Assets carried at amortised cost				
Loans and receivables	12,979	12,979	25,516	25,516
Cash and cash equivalents and non-current deposits	(2,090)	(2,090)	7,618	7,618
	<u>10,889</u>	<u>10,889</u>	<u>33,134</u>	<u>33,134</u>
Liabilities carried at fair value				
Nil	-	-	-	-
Liabilities carried at amortised cost				
Trade and other payables	5,175	5,175	14,872	14,872
Hire purchase obligations	10,493	10,493	23,838	23,838
Finance lease liabilities	-	-	113	113
Shareholder loan repayments	1,278	1,278	1,150	1,150
	<u>16,946</u>	<u>16,946</u>	<u>39,973</u>	<u>39,973</u>

The basis for determining fair value is disclosed at note 4.

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, when applicable, are based on market rates at the reporting date plus an adequate credit spread, and were as follows:

	2014	2013
Loans and borrowings	7.2%	8.5%
Hire purchase finance and leases	7.2%	8.5%

24. Operating leases

DELTA SBD LIMITED

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Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of dollars</i>	2014	2013
Less than one year	167	266
Between one and five years	-	136
	<u>167</u>	<u>402</u>

The Group leases a number of office facilities under operating leases. The leases typically run for a period of five (5) years with an option to renew the lease after that date.

During the year ended 30 June 2014 thousand was recognised as an expense in profit or loss in respect of operating leases \$355 (2013: \$392 thousand).

The leases were entered into as combined leases of land and buildings. Since the land title does not pass, the rent paid to the landlord of the building is increased by the consumer price index at annual intervals, and the Group does not participate in the residual value of the building, it was determined that substantially all the risks and rewards of the building are with the landlord. As such, the Group determined that the leases are operating leases.

25. Capital commitments

<i>In thousands of dollars</i>	2014	2013
Plant and equipment		
<i>Contracted but not provided for and payable</i>		
Within one year	-	9
One year or later and no later than five years	-	-
	<u>-</u>	<u>9</u>

26. Contingent liabilities

No contingent liabilities have been identified.

27. Share-based payments

(a) Advisory

The following options have been issued as part of the consideration for acting as advisors to the Company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and Shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
New Holland Capital (an entity associated with Gordon Galt, a Director) (1)	2,500,000 exercisable over 2,500,000 shares	\$1.00	From Quotation Date until the Expiry Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015

- 1) the fair value of employee share options is measured using a binomial model. Measurement inputs include share price on measurement date, strike price of the instrument, expected volatility (based on weighted average volatility adjusted for changes expected due to holder behavior), and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value; and

27. Share-based payments continued

DELTA SBD LIMITED

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For the year ended 30 June 2014

- 2) the Sydney Capital Partners options has been calculated based on the fair value and was measured at a market price for the services received.

Details of the number of share options:

	Number of shares
Outstanding at the beginning of the period	3,437,500
Granted during the period	-
Forfeited during the period	-
Outstanding at the end of the period	<u>3,437,500</u>

Share based payments expensed during the year ended 30 June 2014 are \$nil (2013: \$nil).

The Options issued to New Holland Capital (Gordon Galt) can only be exercised if the Share price on or after the beginning of the exercise period exceeds the Share price that Shares would have attained if they had appreciated at a rate which was at or above the small ordinaries accumulation index over the period since the Quotation Date. In addition, he must continue to be engaged as either a Director or a consultant to the Company at the exercise date.

(b) Employee Share Plan (ESP)

The Group has previously implemented an Employee Share Plan (ESP) trust to achieve objectives supporting employee retention, enhanced employee involvement and focus, and increased wealth distribution among the nominated employees. Participation in the ESP is by way of unit holding in the trust. One (1) unit represents one (1) share. Loans to nominated employees will be repaid over five (5) years at not less than 20% per annum. No interest is chargeable on the loan. The units in the ESP must be held for three (3) years.

28. Related party transactions

Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to executive Directors and executive officers, and contributes to a post-employment superannuation fund on their behalf.

The terms and conditions of the transactions with management persons and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Key management personnel compensation

Key management personnel compensation comprised:

	\$ 2014	\$ 2013
Short-term employee benefits	2,250,551	2,693,941
Long-term employee benefits (LSL)	37,141	59,690
Long-term incentive plan	-	393,944
Post-employment benefits	170,180	148,202
Termination Benefits	204,820	-
	<u>2,662,692</u>	<u>3,295,777</u>

Individual Director's and executive's compensation disclosures

Information regarding individual Director's and executive's compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the remuneration report section of the Director's report.

28. Related party transactions continued

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For the year ended 30 June 2014

Individual Director's and executive's compensation disclosures continued

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Loans from key management personnel and their related parties

A secured finance facility was entered into on 6 June 2014 for \$650 thousand, to be repaid over a period of 4 years to Titanwood Holdings Pty Ltd; an entity controlled by Stephen Bizzaca

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Transactions value (\$)		Balance outstanding	
	2014	2013	2014	2013
Titanwood Holdings Pty Ltd (1)	60,000	60,000	-	-
Dawkins Enterprises Pty Ltd (2)	9,350	16,000	-	-
Total	69,350	76,000	-	-

(1) On 2nd April 2007, the Group entered into a five (5) year contract with Titanwood Holdings P/L a company controlled by Mr. Stephen Bizzaca for the hire of a motor vehicle. The contract value is \$300 thousand. Contract terms are based on market rates for the type of vehicle and amounts are payable on a monthly basis. This contract has been extended for a further 2 year period based on the same terms and conditions expiring 2 April 2016.

(2) The Group has entered into a professional services agreement with Dawkins Enterprises P/L for the provision of administrative services for the period July 2013 to June 2014. Contract terms are based on market rates for the type of services provided and amounts are payable on a quarterly basis.

Other related party transactions

Details regarding loans outstanding at the reporting date from key management personnel and their related parties at year end, are as follows:

<i>In dollars</i>	2014	2013
Dawkins Enterprises Pty Ltd (1)	289,982	513,943
Titanwood Holdings Pty Ltd (2)	338,344	636,001
Titanwood Holdings Pty Ltd (3)	650,000	-
	1,278,326	1,149,944

(1) interest bearing loan from Dawkins Enterprises Pty Ltd is to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Glyn Dawkins. \$224 thousand was repaid 24 September 2013.

28. Related party transactions continued

DELTA SBD LIMITED

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Other related party transactions continued

- (2) interest bearing loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca. \$298 thousand was repaid 24 September 2013.
- (3) interest bearing loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca. A secured finance facility was entered into on 6 June 2014 for \$650 thousand, to be repaid over a period of 4 years.

Details regarding interest payments on loans from key management personnel and their related parties at any time in the reporting period are as follows:

<i>In dollars</i>	2014	2013
Dawkins Enterprises Pty Ltd (1)	30,424	54,313
Titanwood Holdings Pty Ltd (2)	37,001	67,981
Titanwood Holdings Pty Ltd (3)	5,633	-
	<hr/>	<hr/>
	73,058	122,294

- (1) interest paid to Dawkins Enterprises on working capital loan disclosed above. The interest rate is 9.70% fixed which is based on market conditions on an unsecured loan of this nature. Interest is paid monthly.
- (2) interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 9.70% fixed which is based on market conditions on an unsecured loan of this nature. Interest is paid monthly.
- (3) interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 13.00% fixed which is based on market conditions on a secured loan of this nature. Interest is paid monthly. Principal payments will commence 12 months after the loan effective date, being 30th June 2015.

DELTA SBD LIMITED

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28. Related party transactions continued

Movements in shares and options

Shares allocated as part of Delta SBD's Long Term Incentive Plan (LTIP) for Key Management Personnel (KMP) are disclosed in the Remuneration report and have been included below when they crystallise (three years from issue date).

No shares or options were granted to key management personnel during the reporting period as compensation in 2014 or 2013.

	Held at 1 July 2013	Purchases	Received on exercise of options	Disposal /forfeited	Held at 30 June 2014
Directors					
Non-Executive Director's					
Mr. G. Galt	68,307	2,454	-	-	70,761
Mr. G. Dawkins	12,442,276	447,027	-	-	12,889,303
Executive Directors					
Mr. S Bizzaca	16,365,052	587,967	-	-	16,953,019
	171,484	-	-	-	171,484
Mr. G. Garside	-	-	-	-	-
Executives					
Mr. A. McFadden (Former Chief Financial Officer and Former Company Secretary)	664,810	-	-	-	664,810
Mr. T. Jackson (Business Development and Executive General Manager)	173,913	*268,818	-	-	442,731
Mr. J. Richardson (General Manager NSW)	474,971	-	-	-	474,971
Mr. N. Marvell (General Manager NSW)	521,215	-	-	-	521,215
Mr. G. Janson (General Manager Berrima)	179,207	-	-	-	179,207
* Via LTIP vested 28/02/2014					
Options					
Mr. G. Garside	312,500	-	-	-	312,500

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Notes to the consolidated financial statements

For the year ended 30 June 2014

28. Related party transactions continued

Movements in shares and options continued

	Held at 1 July 2012	Purchases	Received on exercise of options	Disposal/ forfeited	Held at 30 June 2013
Directors					
Non-Executive Director's					
Mr. G. Galt	66,250	2,057	-	-	68,307
Mr. G. Dawkins	12,067,758	374,518	-	-	12,442,276
Executive Directors					
Mr. S Bizzaca	15,795,005	570,047	-	-	16,365,052
	-	*171,484	-	-	171,484
Mr. G Garside	-	-	-	-	-
Executives					
Mr. A. McFadden (Former Chief Financial Officer and Former Company Secretary)	426,039	*292,028	-	(53,257)	664,810
Mr. T. Jackson (Business Development and Executive General Manager)	173,913	-	-	-	173,913
Mr. J. Richardson (General Manager NSW)	179,207	*295,764	-	-	474,971
Mr. N. Marvell (General Manager NSW)	275,596	*245,619	-	-	521,215
Mr. G. Janson (General Manager Berrima)	179,207	-	-	-	179,207
* Via LTIP vested 30/06/2013					
Options					
Mr. G. Garside	312,500	-	-	-	312,500

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

29. Segment reporting

The Group has one (1) reportable segment being Mining contracting. The Group has established the operating segment based on information provided to the Chief Operating Decision Makers ("CODM") demonstrating that resources are allocated to the whole Group based on supporting our clients with service combined with equipment in the underground coal mines throughout Australia.

The results and financial position of the mining contracting segment are prepared for the CEO on a basis consistent with Australian Accounting Standards (AASB) and adjusted for interest payments to shareholders, IPO transactions costs and the settlement of a claim. Segment underlying (NPAT) for the Group as reported to the CEO for the year was (\$1,797) thousand (2013: \$8,038 thousand). This is reconciled to statutory NPAT for the Group of (\$43,254) thousand (2013: \$7,072 thousand) through the following adjustments made including impairment of goodwill \$29,247 thousand, impairment of assets including inventory \$10,716 thousand, loss on sale of assets \$479 thousand and restructuring costs of \$1,655 thousand (2013: \$966 thousand) the valuation of options being a non-cash item which was not part of our normal course of business.

Entity wide disclosures in relation to the Group's mining contracting, geographical and major customers are detailed below.

Mining contracting

The Group specialises in the provision of services for the underground coal mine industry within Australia embodying the following activities:

- whole of mine operations
- whole of mine care and maintenance
- roadway development
- bord and pillar extraction
- mine service
 - secondary support installation
 - excavation
 - ventilation device installation
 - services/utility installation/recovery
- longwall relocations and support conveyor installations and maintenance
- plant hire and maintenance
- mining products
- supplementary labour

Geographical information

Consolidated Group's operations are located in one (1) segment which is Australia. Accordingly, no secondary reporting on geographical segments has been applied.

Major customers

Revenues from three (3) customers of the Group represent approximately \$57,669 thousand (2013: \$84,613 thousand three (3) customers) of the Group's total revenues.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

30. Group Entities

Parent and ultimate controlling party

Parent Entity	Country of ownership	Ownership interest	
		2014	2013
Delta SBD Limited		-	-
Significant subsidiaries			
Delta Mining Pty Ltd	Australia	100%	100%
SBD Services Pty Ltd	Australia	100%	100%
Delta Coal Mining Pty Ltd	Australia	100%	100%

31. Deed of Cross Guarantee

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

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries. The Company will only be liable in the event that any creditor has not been paid in full after six months. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The deed took effect on 5 May 2011.

The subsidiaries subject to the deed are:

- Delta Mining Pty Ltd;
- SBD Services Pty Ltd; and
- Delta Coal Mining Pty Ltd.

As all subsidiaries in the wholly owned Group are a party to the deed, the consolidated statement of profit or loss and comprehensive income and consolidated statement of financial position disclosed in these financial statements represent the consolidated financial position and performance of the parties to the deed.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

32. Auditors Remuneration

Auditor's remuneration

In dollars **2014** **2013**

Audit services

Auditors of the Group *KPMG Australia:*

Audit and review of financial reports	136,370	146,645
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Other services

KPMG Australia:

Tax Compliance and Advisory	15,100	14,318
AUSCOAL Superannuation Guarantee Contribution		-
Contributions Coal Mines long service leave Board	5,000	2,100
Tax advisory in relation to Research & Development	10,000	60,000
GST Audit	-	5,175
Total recurring other services	30,100	81,593
Total other services	30,100	81,593

33. Subsequent Events

(a) Restructuring

In July 2014, the Group announced its intention to implement a cost-reduction programme and to take further measures to reduce costs. Additionally, to enable the Group to adapt its size to current market conditions, it intends to amalgamate of some business units and personnel duties and reduce the Group's workforce. The Group expects the restructuring associated with the reduction in positions to lower overheads by at least \$1m for FY15.

(b) Debt Reduction Plan

Significant capital equipment was disposed of during August 2014. In the fourth quarter of 2014 the Board was heavily engaged with reviewing its strategic direction and had resolved to implement a debt reduction strategy by disposal of selected assets which had been identified pre 30 June 2014.

DELTA SBD LIMITED

Notes to the consolidated financial statements

For the year ended 30 June 2014

34. Parent Entity Disclosure

As at, and throughout, the financial year ended 30 June 2014 the parent company of the Group was Delta SBD Limited.

In thousands of dollars

	Company	
	2014	2013
Result in parent entity		
Profit for the period	(16,991)	1
Other comprehensive income	-	-
Total comprehensive income for the period	(16,991)	1
Financial position of parent entity at year end		
Current assets	144	725
Total assets	24,330	40,575
Current liabilities	2,557	2,285
Total liabilities	2,666	2,477
Net Assets	21,664	38,098
Total equity of the parent entity comprising of		
Share Capital	38,592	38,036
Options reserve	946	946
Retained profits/(losses)	(17,875)	(884)
Total Equity	21,663	38,098

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details on the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 30.

DELTA SBD LIMITED

Directors' Declaration

1. In the opinion of the Directors of Delta SBD Limited ("the Company"):
 - a) the consolidated financial statements and notes set out on pages 37 to 75 and the Remuneration report in section ten (10) in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b) 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. There are reasonable grounds to believe that the Company and the Group entities identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.
3. 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 year ended 30 June 2014.
4. The Directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:



Gordon Galt

Director

Dated this 29 day of August 2014

DELTA SBD LIMITED

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below:

SHAREHOLDINGS

Substantial shareholders

The number of shares held by substantial shareholders and their associates as advised in substantial shareholder notices to the Company are set out below:

Shareholder	Percentage (%) of capital held	Number of ordinary shares held
SBD Nominees Pty Ltd	26.0	12,362,420
Titanwood Holdings Pty Ltd	9.6	4,590,599
Trinity Management Group Pty Ltd (Via the Delta SBD Employee Long Term Incentive Plan)	0.4	171,484
Total (related parties of Stephen Bizzaca)	36.0	17,124,503
Dawkins Enterprises Pty Ltd	22.5	10,708,930
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	4.6	2,180,373
Total (related parties of Glyn Dawkins)	27.1	12,889,303

Voting rights

Ordinary shares

Refer to note 19 in the financial statements.

Options

There are no voting rights attached to the options.

Distribution of equity security holders.

Category	Number of equity security holders
1 – 1,000	51
1,001 – 5,000	167
5,001 – 10,000	120
10,001 – 100,000	142
100,001 and over	30

There are three (3) holders of options over ordinary shares. Refer to note 26 in the financial statements.

The number of shareholders holding less than a marketable parcel of ordinary shares is thirty seven (37).

SECURITIES EXCHANGE

The Company is listed on the Australian Securities Exchange.

OTHER INFORMATION

Delta SBD Limited incorporated and domiciled in Australia, is a publicly listed company limited by shares.

DELTA SBD LIMITED

ASX additional information continued

Name	Number of ordinary shares and options held	Percentage capital held
SBD Nominees Pty Ltd	12,362,420	26.0
Dawkins Enterprises Pty Ltd	10,708,930	22.5
Titanwood Holdings Pty Ltd	4,590,599	9.6
Trinity Management Group Pty	3,528,891	7.4
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	2,180,373	4.6
Nehemine Pty Ltd	938,547	1.97
Christine Gardner	753,113	1.6
Michael William Nash & Adrienne Lesley Nash (Nash Family Super Fund)	742,977	1.6
Omicron Enterprises Pty Ltd	675,587	1.4
Susan Holt	430,460	0.9
Mase Investments Pty Ltd	351,868	0.7
C & L Dawkins Pty Ltd	323,719	0.7
Mesdam Pty Ltd	323,719	0.7
Tania Withers	322,659	0.7
Blade Equities Pty Ltd	296,719	0.6
L & C Gardner Pty Ltd	295,569	0.6
Mr Martinus Vlekkert	289,000	0.6
Tambutu Pty Ltd	262,719	0.6
Taurus Funds Management Pty Ltd	250,000	0.5
BT Portfolio Services Ltd	200,000	0.4
Mr Kevin James Hayes	200,000	0.4

Twenty (20) largest shareholders.

This information is current as at 4 August 2014 *Number and class of securities subject to voluntary escrow on issue and the date the escrow period ends.*

Class	Number	Date Escrow ends
Ordinary Shares as at 30 June 2014	-	-

Prior year

Class	Number	Date Escrow ends
Ordinary Shares as at 30 June 2013	7,957,033	20 December 2012

DELTA SBD LIMITED

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Gordon Galt – Chairman
Steve Bizzaca – Managing Director and CEO
Glyn Dawkins – Non Executive Director
Geoff Garside – Executive Director

COMPANY SECRETARY

Geoff Garside

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CONTACT DETAILS

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COUNTRY OF INCORPORATION

Australia

STOCK EXCHANGE LISTING

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ASX Code: DSB

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LEGAL ADVISERS

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BRISBANE QLD 4000



Gordon Galt
Chairperson



Geoff Garside
Executive Director and
Company Secretary



Stephen Bizzaca
Managing Director
and CEO



Glyn Dawkins
Non-Executive
Director