Create

Build

Operate

2014 Annual Report

SEDGMAN

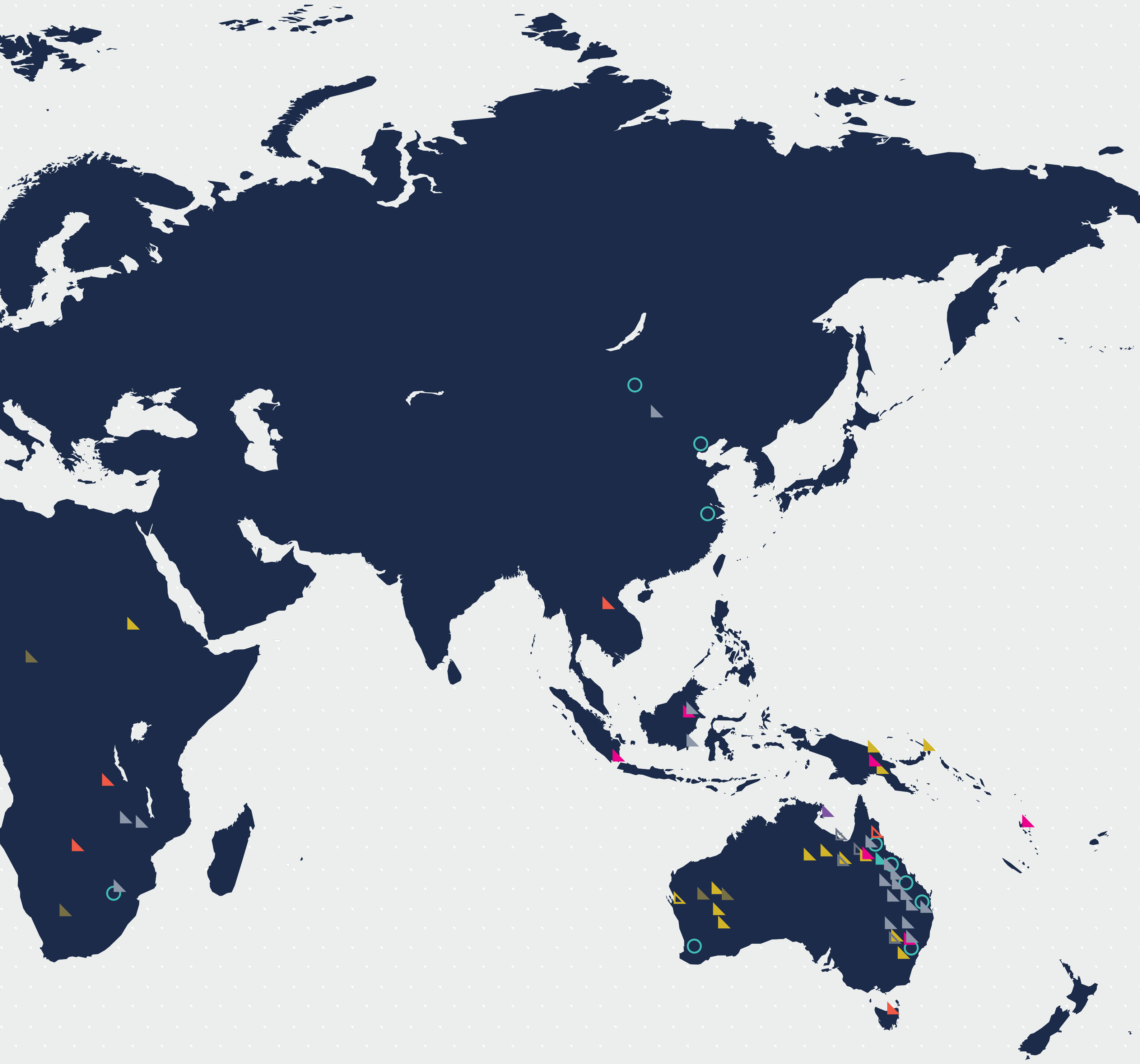
Global Minerals

Annual General Meeting (AGM)

The 2014 Sedgman Limited AGM will be held at the Stamford Plaza, corner of Edward and Margaret streets, Brisbane, Queensland on Friday 21 November 2014.

Map: Sedgman has delivered projects and operations across the globe for 35 years, including in some of the world's most remote regions.

Contents



Chairman's Message

2014 has been a turnaround year for Sedgman and a year where our management have delivered on their promises. A very positive result for the second half has been consolidated in the first quarter of FY2015.

Russell Kempnich
Chairman, Non-Executive Director

As I alluded to last year, our Company has been able to consolidate in a very difficult market and has begun the steady march back to solid, sustainable earnings growth – growth that will come from a stronger diversified range of projects beyond our traditional markets in Australian coal. This strategy is of course nothing new, and we have been on this journey for many years. However, I am extremely pleased to report that the strategy has gained the critical mass and momentum and is now truly entrenched as our long-term sustainable business model.

For FY2014 we reported a net loss after tax of $7.7 million in line with guidance. However, it was a year in two parts with a very strong recovery in the second half, moving from an underlying profit (EBITA)[i] of an $8.6 million loss in the first half to a positive $12.5 million result for the second half. On the back of this result, our strong balance sheet and net cash[ii] position of $76.5 million at year end allowed the Board to support a further two cent fully franked final dividend, bringing the full-year dividend to four cents. Subsequent to year end, management have secured a substantial part of our forecast order book for FY2015, and I'm confident we will be able to continue to support a strong fully franked dividend policy going forward.

During the recent contraction in the market, we have seen some spectacular falls from grace and corporate failures within our sector. These events, while limited in number, cast a cloud over the whole resources services sector and masked the market's appreciation of our strong balance sheet and strict risk-management protocols.

After 35 years in the resources services business, we have learnt how to adjust our service offering to realise fair value for our services and deliver exceptional value to our clients and shareholders. Sedgman has had the chance to grow into its skin and is very well equipped to compete for profitable work across the full scale of project development, from feasibility studies (Create phase) to design, engineering and construction (Build phase) and ultimately operations management (Operate phase). We have seen many services companies come and go over 35 years, but we are still here and are very proud of our track record.

While the Australian coal sector and more recently, iron ore, have been hard hit by reducing prices and associated cut backs, your Company has succeeded in winning new work across a broad range of commodities, including the traditional bulks, but also gold, copper, tungsten, manganese and mineral sands.

Our Executive team is also adjusting our business models and service offerings to meet the changing needs of clients. Some of these services are focused on leveraging our operational and technical expertise to assist our clients in extracting greater efficiencies and value from their existing operations and assets.

NOTES REFERENCED LEFT:

(i) THESE ARE NON-STATUTORY ITEMS WHICH HAVE NOT BEEN AUDITED OR REVIEWED. A RECONCILIATION TO NET (LOSS)/PROFIT AFTER TAX IN THE STATUTORY FINANCIAL STATEMENTS TO FULL YEAR EBITA (UNDERLYING) OF $3.9 MILLION IS PROVIDED ON PAGE 32 IN THE DIRECTORS' REPORT.

(ii) THESE ARE NON-STATUTORY ITEMS WHICH HAVE NOT BEEN AUDITED OR REVIEWED. A RECONCILIATION TO CASH AND CASH EQUIVALENTS IN THE STATUTORY FINANCIAL STATEMENTS TO NET CASH IS PROVIDED ON PAGE 33 IN THE DIRECTORS' REPORT.

Our strategy

Many of these changes are due to changing industry circumstances and priorities, but, as I have already mentioned, many are also the outcome of a well thought through and executed strategy finally getting some real traction and delivering sustainable profitable growth opportunities.

These strategies were established under the expert guidance of your previous Chief Executive Officer and Managing Director (CEO I MD) Nick Jukes. Nick decided not to renew his contract with us and left the business earlier this year. I take this opportunity to thank Nick for his dedication and leadership over what, in hindsight, was the most challenging period of your Company's history.

The Board was delighted to be able to announce the appointment of Peter Watson to the role of CEO I MD. Peter was an internal appointment but won the opportunity against a strong list of external candidates. Subsequent to his appointment Peter has hit the ground running and achieved exceptionally against his plans and objectives. I refer you to his report on page 06.

Sedgman celebrates 35 years in business this year and is looking forward with renewed optimism to the next 35 years. I am proud to have been a part of the Sedgman story for all of its 35 years and will continue to contribute enthusiastically for the foreseeable future.

However, I have decided to stand down from the role of Chairman effective from the 2014 Annual General Meeting (AGM). After 16 years in the role, the last eight as Non-Executive Chairman of the public Company, I feel it is appropriate to hand the reins to a new generation. Your Deputy Chairman, Robert McDonald, will step into the Chairman's role and will be the Company's first truly independent Chairman, something your Board has always planned for and unanimously agrees with.

I am very proud that Sedgman has moved beyond the founder phase of its corporate development – a milestone not too many other companies in this sector manage to achieve. I firmly believe that an independent Chairman is in the best interest of the Company and good corporate governance. I will remain on the Board as a Non-Executive Director as long as you the shareholders are pleased to have me.

As mentioned at last year's AGM, your Board is acutely aware of the need for renewal and diversity and in this vein Roger Short will resign effective from the closure of the 2014 AGM, and we look forward to announcing a nomination for his replacement at that meeting. Roger has been on the Board since the float in June 2006 and has made a huge contribution to the operation of the Board and its committees. In extending our thanks and appreciation, the Board and Management wish Roger and his wife, Julie, the very best for the future.

In closing, allow me to also extend my appreciation and thanks to all the Executives and staff who continue to achieve great things and propel the Sedgman brand into the next exciting phase of our journey.

To our clients, shareholders and other stakeholders, thank you for the opportunities to be involved in an exciting and ever-changing industry.

I look forward to addressing shareholders at our AGM on Friday 21st November.

CEO and Managing Director's Report

Despite another challenging year for Sedgman and the resources sector more broadly, your Company delivered some positive and promising results. A services business can only be successful with great people, and the strength of our business has always been a result of our people and our culture.

Peter Watson
Chief Executive Officer
and Managing Director

I am extremely fortunate to have the opportunity to lead a team of proud and passionate professionals, and I thank everyone at Sedgman for their contributions to our business throughout the year and for their continued and committed support.

At the start of June 2014, Nick Jukes stepped down from the role of Chief Executive Officer and Managing Director (CEO I MD). Nick led the business through a challenging period and without Nick's leadership we would not be in a strong position now to move the business forward. I would like to thank Nick for his contribution, support and dedication to ensuring our future success.

Having witnessed Sedgman's growth over the past 15 years – initially from a joint venture with Thiess and then later in my career when working for a competitor – I was excited to have the opportunity to join the business in an executive role in 2010. Over the past four years I have held various leadership roles across the Australian business and in our international offices. This developed my understanding of our core strengths in coal and our emerging capability in commodities, including gold, copper and iron ore, and provided me with in-depth insight into our operations business. I am delighted to now be at the helm of the business and to have the opportunity to build on our strong history and to strengthen our position in the global minerals sector.

In 2014 we are celebrating 35 years in operation. Throughout that time, Sedgman has been recognised for our ability to deliver exceptional value across all aspects of our services delivery, which has established the Sedgman brand as an industry leader in the coal sector and an emerging leader in the minerals sector. As well as celebrating our achievements, our 35th anniversary is an opportune time to reflect on our many accomplishments – technical innovation, delivery excellence and organisational courage. These are true differentiators for us in the market and I plan to focus on and foster these in my role as CEO I MD.

FY2014 highlights

12.5M — Underlying EBITA in the second half

Net cash position at year end — **76.5M**

ZERO — 7768 operating hours with zero recordable safety incidents (Red Mountain)

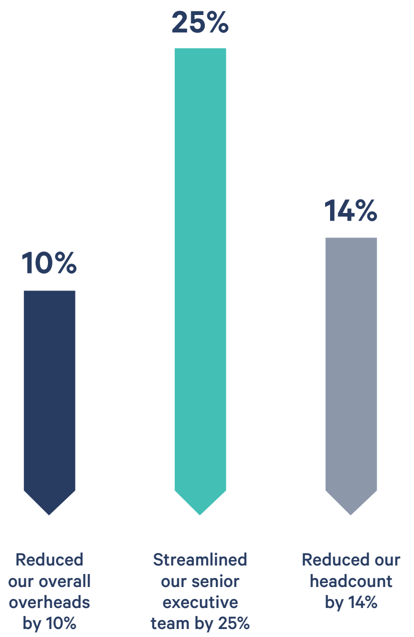
GSJV awarded US$134M contract for Aurora Project — **134M**

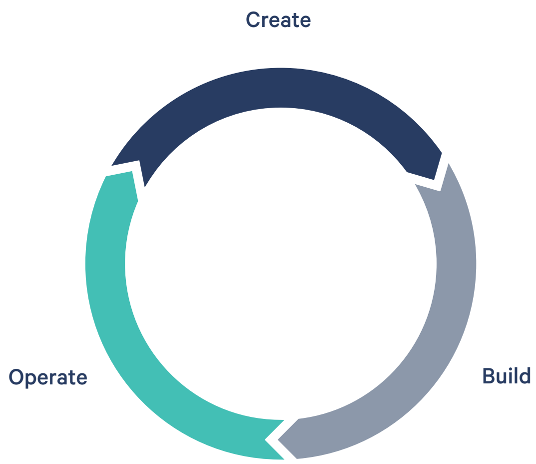
35YR — Celebrating 35 years of operation

Delivered Mungari Gold Project on time & on budget — **SUCCESS**

64M — TSP awarded $64M contract for FMG's Solomon Mine

Responding to market conditions





Our leadership roles and organisational structure are now specifically aligned with our Create, Build, Operate business model.

FY2014

Our results for the financial year were within guidance. A strong underlying, positive result was impacted by a number of separate events which have been addressed, and performance has improved in the second half of the year. This momentum has continued into the current financial year.

FY2014 included performance highlights, such as:

- The successful completion of the Mungari Gold Project near Kalgoorlie for La Mancha Resources by our Perth office. This greenfield gold project was delivered on time and on budget and has subsequently delivered exceptional production performance for our client.
- The Thiess Sedgman Joint Venture team successfully negotiating the site phase of the Boggabri Coal Project for Indemitsu. The project is on track for completion in early 2015.
- Signing an engineering, procurement and construction (EPC) contract for the Aurora Gold Project in Guyana for Guyana Goldfields. The project is being executed in joint venture with Graña y Montero, a major construction contractor from Peru, and is well into site construction with completion planned for July 2015.
- Achieving an industry benchmark of 7768 operating hours with zero recordable safety incidents at Red Mountain. This achievement by the operations team is an excellent result and provides a strong reference for new operations contract opportunities.

Responding to Market Conditions

In response to the continued market pressures in the mining services sector, we took steps to fundamentally realign our cost base. Our overall overheads were reduced by 10% and our headcount by 14%. Subsequently, we have streamlined our Executive team by 25%. We will continue to focus on cost reduction and efficiency to ensure we can maintain a lean profile without compromising our ability to win work and to deliver exceptional projects.

Our leadership roles and organisational structure are now specifically aligned with our Create, Build, Operate business model. The establishment of a global "sector/services" structure allows us to maintain our key technical capabilities and core services within each region, while consolidating our engineering and functional support.

Aligning the technical and functional support will increase knowledge sharing and the implementation of best-practice standards across the Company. The revised structure also enables us to better manage our resource base and associated costs, which will ensure we can continue to provide a competitive value proposition for our clients.

We have refocused on our core strengths – technical expertise, innovative delivery and value creation. These strengths enable us to deliver effective technical solutions for our clients, which maximise their commercial benefits and address their unique resource challenges. This approach is our historical differentiator and, when combined with a performance culture that relentlessly pursues exceptional outcomes, presents a compelling value proposition.

I am committed to strong leadership across the critical areas of Health, Safety, Environment and Quality (HSEQ) performance. In FY2014 our HSEQ Systems on our Brisbane and Townsville sites received accreditation against globally recognised standards. This process helps to ensure we have strong, predictable, reliable systems and a process base to undertake our work. We will continue to progress the global standards throughout the Company.

MUNGARI GOLD PROJECT AT DUSK

FY2015 and Beyond

Across the global minerals sector, the projects being developed into implementation are characterised by: lower capital value, access to existing infrastructure with capacity, and a strong focus on project delivery performance. These characteristics are aligned with our core strengths, which places us in a good position to secure project opportunities in this sector.

I am pleased to share that the start of the new financial year has continued to build on the momentum of the second half of FY2014. To date, your Company has achieved some notable successes, which include:

— Securing Sedgman's first major iron ore project in Western Australia for Fortescue Metals Group Limited (FMG). In joint venture with Thiess, we were awarded the first stage of the Solomon Beyond 60 project development. This EPC contract will see Sedgman deliver modular, relocatable wet-beneficiation facilities that allow FMG to process ore from satellite deposits. Subject to Stage 1 performance, we hope to continue to deliver up to two additional stages sequentially for FMG.

— Being awarded the first-stage development contract for Cockatoo Coal Ltd – an EPC contract for the train load-out facilities at its Baralaba Mine.

— Signing an EPC contract for the Vista project for Coalspur Mines Ltd in Canada. This project, although signed, is pending full funding before the contract can be released.

In addition to these contract successes, our international offices are well positioned for future work. Across the business, our feasibility activity levels are substantially higher than this time last year, as is our order book. In Vancouver we continue to undertake feasibility work for a number of Tier 1 clients. Chile has secured repeat sustaining capital work for Barrick Gold Corporation and we are now on engineering panels with Codelco, Antofagasta plc and BHP Billiton.

We are well positioned on coal opportunities in South Africa and are currently engaged with feasibility work for a greenfield copper concentrator project in Botswana. We have continued to source goods and equipment from China as this has proven to provide a high-quality fabricated project and a strong commercial advantage.

Our operations business has continued to perform strongly and while some clients moved to a self-perform model in FY2014, we are now seeing renewed interest from our existing clients in Sedgman providing advisory and consultancy services to support their achievement of operations' performance targets.

Additionally, we have created a strategic business initiative to combine our operations knowledge, specifically in maintaining facilities performance, with our technical capability. Combined, these two capabilities will create a unique offering when reviewing existing process facilities. The Sedgman Operations Consulting initiative delivers value-adding to our clients, a number of whom have already engaged our services, and it helps to position our brand as a best-practice, expert advisor.

I am realistic that the current financial year will present challenges; however, I am confident that given our core strengths and strategic focus, we will respond positively to overcome those challenges and to continue our success in the global minerals sector.

Projects Review

The Sedgman Projects business is a specialist division focused on resource planning and assessment, project feasibility and engineering design across all disciplines.

The Projects business has a history of proven performance, particularly in remote regions, and has been delivering projects across the globe for 35 years. With a strong emphasis on safety and innovation, the Projects business continued to deliver reliable, value-adding services to our clients in FY2014.

FY2014 Results

The combined sales revenue[i] for the Projects business in FY2014 was $221.1 million, which was less than the previous financial year. This was largely due to a slowdown in the resources sector globally.

Despite these challenges, the Group's commodity diversification strategy continued to build momentum with key projects and studies undertaken in commodities, including gold, coal and iron ore.

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Delivered $90 million EPC contract for the Mungari Gold Project

90M

MUNGARI GOLD PROJECT

Sedgman Australia

WESTERN AUSTRALIA

In FY2013 Sedgman was awarded a $90 million EPC contract for the La Mancha Resources Mungari Gold Project located near Kalgoorlie. Our scope of work included detailed design, procurement, construction and commissioning of the plant and associated infrastructure. We worked closely with the client to deliver the 1.5 Mt/a conventional carbon-in-leach (CIL) gold processing plant within one year of gaining site access, and we did so safely, on schedule and within budget.

The plant is outperforming client expectations, and the project has cemented our successful diversification across the base and precious metals industry. The Mungari Gold Project also demonstrates our ability to deliver some of the most reliable and productive mineral processing plants in the world – an achievement that was a material factor in securing the flagship Aurora Gold project for Guyana Goldfields in May 2014.

DAUNIA CHPP PROJECT

QUEENSLAND

Sedgman was initially engaged by the BHP Billiton Mitsubishi Alliance (BMA) to undertake the design for the 2400 t/h Coal Handling and Preparation Plant (CHPP) at Caval Ridge, Central Queensland. From 2010, under BMA's Hub Agreement, we worked closely with the client representative, Bechtel, to provide detailed engineering and procurement (EP), as well as engineering support through the construction phase of the plant and the Run-of-mine (ROM) bin.

CAVAL RIDGE
CHPP PROJECT

Our strong relationship with BMA, combined with our technical expertise, led to us being successfully awarded commissioning contracts for the entire CHPP, as well as design enhancement works on the back of the commissioning contracts. Coal commissioning commenced on schedule in March 2014.

In March 2013 Sedgman achieved practical completion of BMA's Daunia CHPP Project, and throughout FY2014 we provided small improvement projects and optimisation works on site for the client.

We are also executing a spirals upgrade for BMA's Goonyella Riverside CHPP, and we completed Peabody Energy's Moorvale fines upgrade project in March 2014.

SEDGMAN CONSULTING

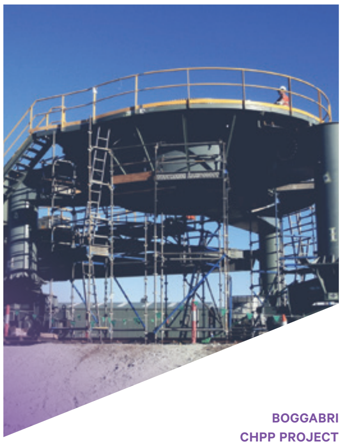
Sedgman Consulting (previously Sedgman Yeats) has extended our infrastructure capability and positioned us to extend our services beyond processing facilities into the mine site and related infrastructure.

Key projects it has delivered during the year include:

- Flagstone masterplanned community for Peet
- Cobaki Lakes masterplanned community for Leda
- Tannum Sands masterplanned community for Lyons Capital.

Awarded $186 million contract for Boggabri Coal Project

186M



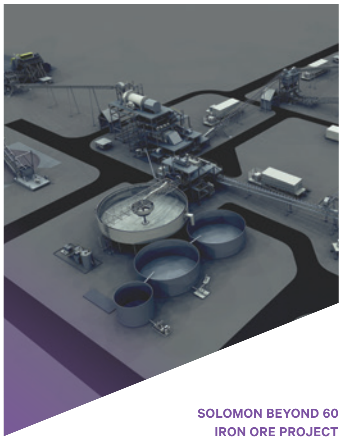
BOGGABRI
CHPP PROJECT

NEW SOUTH WALES

In September 2013, the Thiess Sedgman Joint Venture (TSJV) was awarded a $186 million contract, for Boggabri Coal, to design and construct a CHPP. This is an expansion of Boggabri Coal's mining operation in the Gunnedah Basin and will produce 6.9 Mt/a of thermal coal.

We have progressed well in the structural, mechanical and piping construction works, and our key focus is now the completion of the electrical installation for the bypass and train load-out system. Commissioning activities will commence in October with coal on schedule for December 2014.

Also in September 2013, Sedgman was awarded an $8.9 million contract to design, construct and commission an upgrade to the Coal Processing Plant (CPP) at Centennial Coal's Springvale Mine in central-west New South Wales. The expansion of the plant resulted in an increased capacity from 300 t/h to 450 t/h and was successfully completed at the end of FY2014 safely, on time and within budget, solidifying our positive working relationship with the client.



SOLOMON BEYOND 60
IRON ORE PROJECT

STUDY WORK

We continued to deliver Definition phase study work for BHP Billiton's (BHPB) GEMCO project at Groote Eylandt, which involves the utilisation of a reflux classifier circuit to beneficiate manganese tailings sand. Sedgman is well positioned to capitalise on future work opportunities with BHPB when the project moves into the next stage of development.

In Western Australia we continued to gain traction as a mineral processing specialist by completing strategic study work throughout the year, including:

- Fortescue Metals Group Limited's Solomon Beyond 60 iron ore project for the Early Contractor Involvement (ECI) phase in the Pilbara region
- Atlas Iron's Utah Point Stockyard Value Engineering and Front-End Engineering Design (FEED) in Port Hedland
- Rio Tinto Iron Ore's Paraburdoo ROM Surge Gate Upgrade Detailed Design in the Pilbara region, as well as undertaking miscellaneous multidisciplinary engineering support
- The Nimbus Silver-Gold-Zinc DFS in Kalgoorlie for MacPhersons Resources
- A FEED contract with Alcoa of Australia Ltd for its Kwinana filter plant, conveying and stacking project near Perth.

We also continued to support Rio Tinto and BHPB with development and operational consulting services.

AURORA GOLD PROJECT (GUYANA)

Sedgman Americas

In FY2014 the Americas continued to be an important region for Sedgman with the award of key contracts and the successful establishment of our Vancouver office.

A significant example of our sector and geographic diversification was securing the Aurora Gold Project for Guyana Goldfields. We were awarded a US$134 million EPC contract for this flagship project in Guyana on the north-east coast of South America. The contract will be delivered through the Graña y Montero Sedgman Joint Venture (GSJV), which Sedgman established with leading South American constructor Graña y Montero.

The scope of work for this contract includes a 1.75 Mt/a processing plant, power station and integration management. Early site work commenced in January 2014, and the project is progressing well and on schedule to reach commercial production in mid-2015.

The client is already benefiting from the many strengths of the GSJV, including the Asian procurement and delivery advantages, robust process knowledge, operational expertise and local South American construction knowledge and expertise.

Awarded US$134 million EPC contract for Aurora Gold Project

134M

AMERICAS TEAM MEMBER ON SITE

Our Vancouver presence was instrumental in Coalspur Mines Ltd selecting Sedgman to provide EPC services for its flagship Vista Coal project, located near Hinton in Alberta, Canada. The project consists of a 1500 t/h CHPP, a 6 kilometre overland conveyor and a train load-out facility. The project also includes the mine infrastructure area and all surface facilities. We have demonstrated our value to the client through our advanced technical solution and execution, as well as by providing the commercial certainty that Coalspur required for the project. The contract, valued at US$280 million, is conditional and based on Coalspur securing the balance of development funding. We will continue to work with the client during that phase to ensure we are ready to proceed when the contract is finalised.

Sedgman secured repeat sustaining capital work for Barrick South America on its Zaldívar Copper Mine 175 kilometres south-east of Antofagasta, Chile. Following our successful delivery of the EP project for an overland conveyor (CV-143) last year, Barrick awarded Sedgman an EPC contract for a second overland conveyor (CV-144) project. The scope for this project includes design, engineering, fabrication, supply, installation and commissioning. The project is progressing well and is on track for commissioning in December 2014.

ENGINEERING TEAM MEMBERS AT WORK

ENGINEERING PANELS

Our Santiago team comprises a highly skilled engineering and delivery workforce and provides our clients with a competitive, low-cost and flexible service offering. We are on a number of engineering panels for key clients Codelco, BHP Billiton (BHPB) and Antofagasta Minerals.

We continued to strengthen our relationship with Codelco through our position on the Multidisciplinary Engineering Panel contract for the El Teniente Division, which is one of the largest underground mines in the world. Through the contract, we assessed projects in the process plant areas that also allowed us to introduce our capability into other areas, which led to the award and execution of engineering services to the underground and smelter facilities.

Sedgman has built a strong relationship with BHPB in northern Chile. This follows the successful execution of previous basic and detail engineering for the new electrowinning cathode stripping machine upgrade design project at the Cerro Colorado mine site, as well as smaller sustainable capital projects.

We are also the single supplier for engineering services for BHPB's Spence mine site and processing plant, south-west of Calama, which includes conceptual, basic and detail engineering of the sustainable capital projects.

We were awarded further site engineering works for the Antofagasta Minerals Group following the support Sedgman provided to small sustainable capital projects through the open engineering contract. This included site engineering support for the Esperanza Copper-Gold Mine, now part of the Centinela mine, which comprises the Esperanza and El Tesoro sites.

CERRO DEL GALLO'S GOLD-SILVER DEFINITIVE FEASIBILITY STUDY (MEXICO)

OTHER PROJECT DEVELOPMENT WORK

In Mexico, Sedgman completed DFS, FEED and basic engineering for optimisation, and subsequently we developed the design consolidation for Primero Mining's Cerro del Gallo Gold-Silver Project.

Sedgman was awarded the DFS on the Mandalay Resources Challacollo Silver-Gold project in northern Chile. Scope on this study includes the management of the metallurgical test work program and process plant design, as well as the management of the subcontractor, Golder, for the tailings storage facility design.

We assisted Riversdale Resources with the early development of coal quality support for the Grassy Mountain Coal project in Crowsnest Pass, Canada, which led to us being awarded a DFS. A successful study outcome will enable Sedgman to continue to work with Riversdale to deliver this project.

In British Columbia, Canada, Sedgman completed a DFS for Glencore on its Sukunka Coal Mine Project and was subsequently awarded the feasibility study, which will be delivered by the end of 2014. A successful feasibility study outcome will put us in a strong position to deliver further work for Glencore in the region.

Awarded US$280 million EPC contract for Vista Coal Project

280M

BENGA COAL MINE (AFRICA)

Sedgman Africa

Following the trend in FY2013, the Africa region continued to be affected by challenging market conditions during FY2014. Our focus remained on establishing an experienced local processing and engineering team with capability across a diverse range of commodities, including coal, gold, iron ore and copper, to boost Sedgman Africa's competitiveness in the region.

There were some encouraging results, which included being awarded:

- The DFS for the Cupric Canyon Khoemacau project in Botswana
- The FEED phases 1 and 2 for the Coal of Africa Vele project. Sedgman is well positioned for further work when the project moves to the EPC phase in mid-2015.

In addition, we completed other study work for clients across coal, iron ore and copper, including:

- A-Cap Resources Ltd, Botswana
- Minas de Revuboè, Mozambique
- Diro Resources Pty Ltd, South Africa
- Kumba Iron Ore (Anglo American plc group), South Africa
- Tierra Nuevo Mining, South Africa.

PHU KHAM COPPER-GOLD MINE (LAOS)

Sedgman Asia

Our presence in Asia continued to provide competitive low-cost sourcing options for our projects globally, resulting in a strong commercial advantage. During the year, we utilised the Asia Procurement Centre to support various projects, including Mungari and Boggabri in Australia, Aurora in Guyana, Vista in Canada and Vele in South Africa.

FY2015 Outlook

We started FY2015 positively by securing key projects, including our first major iron ore contract. The Thiess Sedgman Projects (TSP) joint venture was awarded a $64 million contract for the Design and Construction of a 7.5 Mt/a (ROM Feed) modular iron ore processing plant at Fortescue Metals Group Limited's Solomon Mine in Western Australia. This is a significant achievement, which opens up opportunities for further work in iron ore.

We have also secured a $36.7 million contract for a significant expansion of Cockatoo Coal Limited's Baralaba Coal Mine, located in the lower Bowen Basin, Queensland.

In the near future, the resources sector will continue to face challenging market conditions. However, we are committed to our strategy of both sector and geographic diversification and preparing ourselves for the next market upturn.

Through our positive relationships with key clients, our technical and operational expertise, our entrenched reputation for quality and reliability, and our readiness to embrace future opportunities, Sedgman is strongly positioned for FY2015 and beyond.

Operations Review

Sedgman provides a comprehensive suite of operational and maintenance services required to support materials handling and processing plant operations. We currently process more than 30 Mt/a of minerals under client operational contracts.

FY2014 Results

The combined sales revenue[i] for the Operations business in FY2014 was $134.8 million, which was a reduction from the previous year. This was largely a result of five operating facilities, managed on behalf of clients, which were either closed, replaced or transitioned to "owner-operated" operations.

Operating margins were maintained within expectations due to our focus on diversification of operations services, improving productivity, reducing operating costs, reducing business overhead costs and further improving performance across all sites.

Operation Sites

In March 2014, we secured an extension on our operating contract at the Red Mountain Joint Venture (RMJV) in the Bowen Basin. The Red Mountain site is an excellent example of an efficiently run Sedgman operation. In FY2014 our on-site operations team achieved record throughput processing of >8 Mt/a Run-of-mine (ROM) and achieved 7768 actual CHPP run-hours for the year.

This was accomplished without compromising safety, and the site achieved 12 months' Recordable Injury Free.

The three-year Red Mountain contract is valued at approximately $90 million over the current contract period. Sedgman has operated the CHPP since construction was completed in 2007 and under the contract, we will continue to operate and maintain the facility.

Other sites that delivered strong results were:

— **Sonoma Mine:** The team processed ~5.6 Mt/a ROM coal and achieved 7472 actual CHPP run-hours

— **Middlemount Mine:** The team processed ~4.9 Mt/a ROM coal and achieved 7169 actual CHPP run-hours.

The Narrabri CHPP was completed and transitioned, as planned, to "owner-operate" in February 2014, and although the original operations term was 12 months, the total operations contract term exceeded two years. Production at McArthur River Mine concluded in June 2014 following construction of the client's replacement crushing facility.

Clients benefits

— Industry-leading facility operating hours and availability

— A proven track record of optimising facility production output

— An effective maintenance approach delivering low operating costs and sustainable operational facilities

— A focus on operational management and safety outcomes

— An exemplary industrial relations record.

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(ii) REFER TO PAGE 16 FOR DETAILS.

Operations Transition Team

The Operations Transition Team, comprising skilled operators/maintainers, is tasked with providing commissioning, operations and training support for projects undergoing transition from the construction–completion phase to the operations phase.

During FY2014 the transition team provided project to operations support to the following sites:

- Daunia Mine – including commissioning and approximately nine months of operation
- Caval Ridge Mine – including commissioning and six months of operation, which is ongoing
- Narrabri Mine – facilitated the training of personnel to develop a skilled and competent workforce to transition to the owner.

Operations Consulting and Engineering

A core element of the revised Sedgman strategy is targeted expansion into Operations Consulting services. This Operations Consulting capability is gaining recognition in the market and performing consulting activities positions us well for future brownfield expansions.

Our historical strength in operating contracts, including asset operation for our clients, combined with our expertise in maintaining high-availability, high-yield and production performance, and our superior technical capabilities, provide a unique offering to our clients.

In a consultative capacity, we can advise our clients on how to improve their asset performance for existing or recently completed project work. Our consulting expertise assists client-run operations to achieve similar levels of performance as Sedgman-run operations.

In FY2014 both Sedgman's operations consulting and operations engineering activity increased, as did the delivery of small EPC work, including light steel work design, fabrication and installation. We assisted clients with maintenance and reliability engineering consulting, and we completed debottlenecking and operational cost benchmarking studies for top and mid-tier coal and metals clients.

The Townsville Workshop achieved ISO accreditation[(ii)], which provides confidence that our Quality Assurance and Quality Control processes are at the appropriate standard to support the EPC work delivered to clients, leading to improved future work opportunities.

FY2015 Outlook

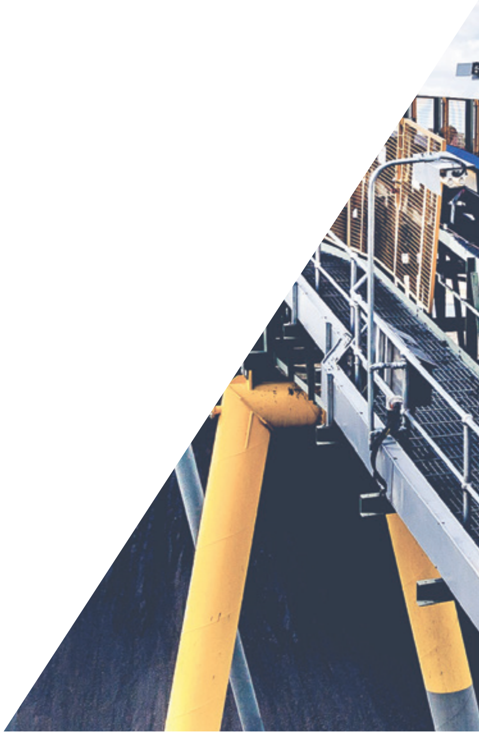
Due to the increase in clients seeking our expertise in operations consulting and engineering work and increased EPC activity in the Townsville Workshop, Sedgman is positive regarding the outlook and pipeline for the next financial year.

Based on our understanding of effective operating practices, we are able to deliver the lowest quartile cost performance and highest quartile operations performance. Both cost and productivity benchmarking activities are routinely conducted to maintain an awareness of Sedgman performance positioning, which is especially important within Australian operating sites as they are being subjected to sustained operational cost and performance challenges.

We are focused on continuing to deliver value to clients by: firstly, ensuring competitiveness in the market and offering a lower cost option than owners (self-perform); and secondly, by leveraging our systems, processes and procurement capability.

We are continuing contract renewal negotiations for the Sonoma Mine, Mount Isa Mine and Agnew Mine, and we hope to secure ongoing operations work at each of these key sites. We are also working through the tender process for the operation of the Boggabri CHPP facility. In addition we are in discussions with potential mining clients both in Australia and internationally. As the industry struggles to respond to production cost and productivity pressures, increased operations and operational support opportunities are emerging. The increase in operations activity and enquiries is a positive leading indicator that there is near-term growth opportunity.

Health, Safety and Environment



We believe in a proactive Health, Safety and Environment (HSE) culture. This starts with visible leadership and best-practice Management Systems, which help to provide a safe workplace for our employees, subcontractors and visitors, and to ensure we minimise any environmental harm.

FY2014 Performance

We achieved a Recordable Injury Frequency Rate (RIFR) for the year of 8.9. This was a disappointing result compared to 4.15 the previous year. The contributing factors to this decrease in performance have been identified and addressed to ensurewe improve on this result and, most importantly, prevent injuries. Examples of actions undertaken include:

— There were 849 HSE related continual improvement actions raised during the year and 93% of those actions were completed.

— The frequency rate for Job Safety Observations (JSOs) increased from 3000 per million man-hours to 3485 per million man-hours, which is approximately a 7.5% increase.

HSE Achievements

Our integrated Health, Safety, Environment and Quality (HSEQ) Management System was certified in meeting the requirements of Australian and International Management System Standards, which included:

— **OHSAS 18001** Occupational Health and Safety Management Systems

— **AS/NZS 4801** Occupational Health and Safety Management Systems

— **ISO 14001** Environmental Management Systems

— **ISO 9001** Quality Management Systems.

This certification encompasses the Brisbane office and Townsville workshop for concept development, feasibility, minerals processing and materials handling design, engineering, fabrication, installation, and repair and maintenance services to the resources sector.

We implemented the COMPASS Leadership Program. This is part of our overall COMPASS program and is designed to develop our employees' safety leadership capabilities by providing the foundations for HSE leadership, broadening their knowledge of our HSE systems, and reinforcing expectations, accountability and acceptable HSE behaviour. All participants who complete the program, including the Executive team, are required to develop a personal HSE Action Plan. These plans are intended to drive accountability and track the achievement of key HSE goals.

We completed a full review of the Sedgman Enterprise Risk Management Framework, which supports our global Create, Build, Operate strategy.

Our HSEQ audit program was centralised to enable the direct involvement of the Executive team and to ensure consistency across our organisation.

Certified System Health & Safety AS 4801 SAI GLOBAL

Certified System Health & Safety OHSAS 18001 SAI GLOBAL

Certified System Quality ISO 9001 SAI GLOBAL

Certified System Environment ISO 14001 SAI GLOBAL

Excellence in safety

Recordable injury (RI) free days at Middlemount Operations

468

Lost Time Injury (LTI) free days at Middlemount Operations

1461

Projects and Operations demonstrating Safety Excellence

- Middlemount Operations achieved 468 Recordable Injury (RI) free days and more than four years' Lost Time Injury (LTI) free
- Red Mountain Operations achieved one year RI free
- The Goonyella Riverside and Springvale projects completed RI free.

Environment

Sedgman implements environmental stewardship strategies to minimise the impact associated with engineering projects and operations. Our approach is aligned with industry best practice and environmental management standards.

In FY2014 we achieved zero reportable environmental incidents.

FY2015 HSE Strategy

In FY2015, we will remain focused on improving our systems, strengthening our HSE leadership and further embedding the expected behaviours to improve our HSE performance. We will accomplish this by committing to:

- Expanding our ISO Accreditation across regional and sector services.
- Further developing our safety culture, aligned with our broader Sedgman culture, which encompasses our new values, and where strong leadership, accountability and commitment are ingrained in our day-to-day work practices, are embedded in our operations and are key drivers in our decision-making. This will be supported by the continued rollout of our COMPASS Leadership Program across the whole business.
- Recognising and rewarding strong HSE performers – individuals or teams who strive for a workplace free from injury and harm – by implementing a monthly CEO's HSE Award.

Our People

Our achievements are the result of the collective efforts of our people. Our ability to attract, engage, develop and retain a talented, diverse and mobile workforce will determine our long-term success. A strong team provides a solid foundation for our business.

Challenging market conditions have dictated significant changes in our business over the past financial year, which unfortunately resulted in a 14% reduction of our overall workforce.

This was a difficult period, yet the remaining workforce showed great commitment, tenacity and perseverance. We also restructured the business with a greater focus on increasing efficiency, improving productivity and developing a high-performance culture. These combined strategies have helped to ensure that we are now well positioned to respond to opportunities and to build a stronger and more sustainable business in the long term.

Performance and Development

With operations and projects spanning the globe, we are committed to helping our team reach their full potential. We are committed to open, honest and productive relationships centred on our core values. This means ensuring the health, safety and wellbeing of our people and supporting their ongoing professional and personal development.

Our employee rewards package, Total Rewards, offers a holistic approach to employee satisfaction and focuses on the three key areas of remuneration, benefits and growth. Examples of the Total Rewards Package include:

REWARD AND RECOGNITION PROGRAMS

We reward our employees with financial and non-financial benefits, which are linked to their level of performance and benchmarked within the Company. For example, the monthly Go the Extra Mile (GEM) Award, the Spot Recognition Program and the Study Assistance Program.

HEALTH AND WELLBEING INITIATIVES

We promote a healthy and balanced lifestyle and encourage our people to achieve this by providing health kiosks, competitive private health insurance offers, free vaccination services, an Employee Assistance Program and wellbeing guidance. Our people are also encouraged to participate in sporting and fitness events, such as the Corporate Games, Corporate Rugby Tens and the Bridge to Brisbane fun run, which are subsidised by Sedgman.

TARGETED TRAINING AND DEVELOPMENT PROGRAMS

We offer personal and professional career development opportunities to maximise our employees' engagement and to promote long-term career progression that supports our business objectives. Sedgman provides development opportunities for employees of all experience levels in the business, from our graduates through to our trainees and our senior leaders.

Vison and Values

In 2014 with a new CEO | MD, Peter Watson, at the helm and with our emphasis on cultural change, it was timely to refresh our vision and values to ensure that they aligned with our strategic direction. For 35 years Sedgman has forged a reputation for its ability to deliver value across all aspects of service delivery. Our refreshed Vision Statement "See the value, be the value" reinforces our emphasis on value and will set us apart on the world stage.

Our new values of **trust, courage** and **excellence** are the embodiment of what we stand for – they underpin our way of working and they provide the basis for our behaviour.

As the business grows and evolves, it will be our vision and values that ultimately guide and empower our people and solidify our culture.

See the value, be the value.

Trust

Acting with the team's best interests at heart, knowing that the team is acting with your best interests at heart.

Courage

An ability to embrace change, navigate risk and think big.

Excellence

The drive to perform, to achieve the best in every output and to deliver value to our clients without fail.

Community

We support sustainable development practices that provide positive, long-term outcomes for the regions and communities in which we operate. The Sedgman Community Investment Program has two key components: a Community Support Program and a Benevolent Fund for charitable activities.

Our Community Support Program provides sponsorship to community-based organisations. In FY2014 we were a major sponsor for a number of key community initiatives, including:

- Central Queensland Rescue (CQ Rescue) Helicopter Service
- Wests Bulldogs Union Club in Brisbane, Queensland
- Eastern Goldfields Junior Cricket in Kalgoorlie, Western Australia.

Through our Benevolent Fund we contributed to various charities both within Australia and globally, including:

- The St Vincent de Paul Society (Australia)
- The Prostate Cancer Foundation (Australia)
- The Arthritis Foundation (Australia)
- The Movember Foundation (Australia)
- Pinktober for Cindy Mackenzie Breast Cancer Foundation (Australia)
- Making a Difference Christmas Appeal (Australia)
- Nelson Mandela International Day (South Africa)
- The Escuela Agroecológica de Pirque Charity (Chile)
- The Yearn to Learn Orphanage (China).

Board

1. Roger Short

LLB, BA

Independent Director

Roger was appointed to the Board in June 2006. He is a construction lawyer and most recently served as a consultant at McCullough Robertson Lawyers. Roger was previously a partner in a large national law firm. He has been a member of the legal profession for over 30 years and has had extensive involvement in large scale property development projects and commercial, public infrastructure, construction, mining and infrastructure work.

For more details see pages 34–35.

2. Peter Richards

B COM

Independent Director

Peter was appointed to the Board in December 2010. He has over 30 years of experience in the mining services and industrial sectors with global companies including BP plc, Wesfarmers, Dyno Nobel Limited and Norfolk Group Limited where he served as Managing Director. In his time at Dyno Nobel he held a number of senior executive positions in both North America and Asia Pacific.

For more details see pages 34–35.

3. Robert McDonald

B COM, MBA (HONS)

Deputy Chairman, Independent Director

Rob was appointed to the Board in June 2006. He is the principal of The Minera Group, a specialist mining advisory and investment group headquartered in Australia and active in most mining regions of the world. Minera assists a select number of mining companies and mining investment and finance institutions in developing and executing business plans in the sector.

For more details see pages 34–35.

4. Peter Watson

B ENG (CHEM) (HONS), DIP ACC FIN MGT, FIEA, CP ENG, GAICD

Chief Executive Officer and Managing Director

Peter was appointed Chief Executive Officer and Managing Director in June 2014. Prior to his current role he held various senior positions at Sedgman, including Regional Director, responsible for managing the Company's Australia West, Americas and Africa regions; and Executive General Manager Australia, responsible for activities in engineering, project delivery and contract operations across the coal, metals, iron ore and infrastructure sectors.

For more details see pages 34–35.

5. Russell Kempnich

B ENG (MECH)

Chairman, Non-Executive Director

Russell was appointed Chairman in April 2006. He is a founding partner of Sedgman & Associates Pty Ltd, the original company established in 1980, from which the Sedgman business has grown. Russell has more than 35 years of experience in the Australian and international coal industry with broad experience in the areas of coal resource evaluation, process plant design, construction and commissioning.

For more details see pages 34–35.

6. Donald Argent

B COM, CPA, FAICD

Independent Director

Don was appointed to the Board in April 2006. He was the Director of Finance and Administration for the Thiess Group (resigned 29 July 2011). Don has over 30 years of experience in the mining industry, which began in the late 1970s at Thiess Holdings Ltd, and then with Thiess Pty Ltd from 1985, where he had a pivotal role in the finance, administration, governance, growth and success of the Thiess Group of companies for 26 years until his retirement in 2011.

For more details see pages 34–35.

7. Antony Jacobs

B COM, MAICD

Non-Executive Director

Tony is a highly experienced director of finance, currently consulting to Leighton Holdings. Prior to establishing his consulting business, Tony was the Chief Financial Officer of Leighton Asia Limited from 1992 to 2001 and again from 2008 to 2012, where he was responsible for all financial and administration matters of the company's operation in Asia.

For more details see pages 34–35.

Executive

1. ## Simon Stockwell

B ENG (MECH) (HONS), GC APPLAW

Director Client and Project Development

Simon rejoined Sedgman in 2011 having worked for the Company previously from 1995 to 2002. Simon is responsible for Client and Project Development globally. Simon's previous roles include Regional Director, responsible for Australia East and Asia, and General Manager Projects, responsible for the successful delivery of engineering, studies and projects across Australia. Simon is a mechanical engineer with over 20 years of experience across the resources, power and infrastructure industries. Prior to rejoining Sedgman, he was Operations Manager for AMEC Minproc in Brisbane. He has also held senior roles at Thiess, UGL and Kellogg Brown & Root.

2. ## Michael Carretta

B ENG (MIN PROC) (HONS), MAusIMM, GAICD

Director Engineering and Project Delivery

Michael joined Sedgman in 1998 and is responsible for Engineering and Project Delivery across all our operating regions. Michael was previously Global Director Operations, where he was responsible for global contract operations, including coal and metals plant operations, international operations expansion, diversification into new market sectors and corporate governance. He has held senior management and technical roles within Sedgman in Engineering and Operations and has over 20 years of experience in the mining industry.

3. ## Ken Boulton

B ENG (MECH) (HONS)

Director Operations

Ken joined Sedgman in 2006 and is responsible for operations globally, including coal and metals plant operations. Ken was previously Executive General Manager Australian Operations, responsible for Australian processing facility operations and the support of off-shore operations activities. He possesses a mechanical engineering background and has gained significant operational understanding from 20 years of experience within the resources sector, including involvement within coal, base and precious metals processing operations. Prior to joining Sedgman Ken assumed management roles at Goldcorp and Mount Isa Mines.

4. ## Ian Poole

B ECON, CA

Director Finance

Ian joined Sedgman in 2010 and is responsible for the Company's financial management with accountability across all regions. He is also responsible for Sedgman's Corporate Services division, which includes Information Systems and Technology and Shared Services. Ian is a chartered accountant with over 25 years of experience in financial, commercial and administrative management in the mining and resources industry in Australia and the United States. Prior to joining Sedgman, Ian worked in senior finance and commercial roles with Rio Tinto Coal Australia and was Vice President Finance and Administration for Pasminco Resources US Inc.

5. ## Adrian Relf

B SOCSC, LLB, GDIP MGT, GDIP LEGAL PRACTICE

Director Commercial and Corporate, Company Secretary

Adrian joined Sedgman in 2008 and is responsible for development and implementation of the Company's commercial activities, including mergers and acquisitions and strategic investments, as well as leading the legal, commercial and corporate communications divisions and Company Secretariat. He has been extensively involved in the establishment of Sedgman's regional offices and the continuous improvement of group risk management. Adrian was General Counsel until 2012 and has extensive legal and commercial experience gained in private practice and in-house roles across the engineering, infrastructure, mining and mining services sectors.

6. ## Samantha Douglas

B BUS (HRM & INTERNATIONAL BUS), MEMPLAW

Director People and Safety

Samantha joined Sedgman in 2005 and is responsible for leading the People and the Health, Safety and Environment teams at a global level and providing strategic direction in those areas. Prior to her current role, Samantha held the role of Chief Human Resources Officer and was extensively involved in the development of Sedgman's human resources infrastructure and governance. Samantha has held various senior management and technical roles and has over 15 years of experience across the mining, construction and professional services sectors.

Corporate Governance Statement

The Sedgman Board of Directors is responsible for and committed to maintaining the highest standards of Corporate Governance. The Board has ultimate responsibility for all corporate governance matters and is accountable for Sedgman's overall business performance.

Sedgman's Corporate Governance Charter is available in the Corporate Governance section of the Sedgman website: www.sedgman.com. The policies and practices developed and implemented by the Board are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, with 2010 Amendments, 2nd edition, (the Guidelines), except to any extent noted below.

Principle 1 – Lay solid foundations for management and oversight

1.1 The Board has established clear delegation of authority between the Board and Management.

1.2 Senior executives are subject to a formal performance review process on an annual basis.

1.3 The performance of senior executives was assessed during the financial year in accordance with the policy adopted by the Board.

The Sedgman Board has established and disclosed the respective roles and responsibilities of Board and Management.

The Board's primary role is to oversee the management of the Company as well as to provide strategic guidance. The functions reserved to the Board in governing Sedgman are contained in the Board Charter, which is published as part of the Corporate Governance Charter and is available in the Corporate Governance section of the Sedgman website.

The Board has established a Delegated Authorities Matrix which clearly sets out both the delegation of authority from the Board to the senior executives and a system of checks and balances.

The key functions and responsibilities of the Board include:

— Overseeing the Company, including its control and accountability systems

— Charting strategy and setting financial targets for the Company

— Providing input into and final approval of Management's development of corporate strategy and performance objectives

— Appointing, monitoring and removing (where appropriate) the Chief Executive Officer (CEO) and Managing Director, and senior executives

— Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance

— Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures

— Approving and monitoring financial and other reporting

Non-Executive and Independent Directors receive formal letters of appointment setting out the key terms, conditions and expectations of their engagement.

The responsibilities delegated by the Board to the senior executives include:

— Managing day-to-day operations in accordance with the standards for social and ethical practices which have been set by the Board

— Managing the financial affairs of the Company in accordance with the delegations of authority and budgets approved by the Board

— Developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives.

Senior executives receive formal letters of appointment as well as position descriptions detailing the key terms, conditions and expectations of their engagement. Each member of the Executive group is subject to an annual performance review which is conducted by the CEO and Managing Director. Each review took place in FY2014 in accordance with the process approved by the Board.

Principle 2 – Structure the Board to add value

2.1 A majority of the Sedgman Board are Independent Directors.

2.2 During FY2014 the Chair was not an Independent Director; however, the Board considers him to be the most appropriate person for the position.

2.3 The roles of Chair and Chief Executive Officer are exercised by different individuals.

2.4 The Board has established a Remuneration and Nominations Committee, which consists of a majority of Independent Directors, is chaired by an Independent Director and has three members.

2.5 The process for evaluating the Board, its committees and individual Directors is disclosed below.

Principle 2 – Structure the Board to add value (continued)

2.6 All information set out in the Guidelines to reporting on Principle 2 is provided.

The Sedgman Board has effective composition, size and commitment to adequately discharge its responsibilities and duties and act in accordance with the Guidelines, except where outlined below.

The Board was comprised of seven Directors during FY2014, all of whom have a broad range of experience, expertise, skills, qualifications and contacts relevant to the business of the Company and the mining and engineering sectors.

Information in relation to each Director can be found from page 28 onwards in the Directors' report in the financial statements, and their dates of appointment appear on page 28 of the Directors' report in the financial statements.

One third of the Directors (excluding the CEO and Managing Director) are required to retire from office each year. Retiring Directors may be re-elected. For more information on the appointment and retirement of Directors, refer to item 1.7 of the Board Charter available in the Corporate Governance section of the Sedgman website.

Only the CEO and Managing Director is an Executive Director. These positions were held by Nicholas Jukes until 1 June 2014 (CEO) and 26 June 2014 (Managing Director) respectively, and Peter Watson from 1 June 2014 (CEO) and 26 June 2014 (Managing Director) respectively. The remaining Directors are Non-Executive Directors, of whom Donald Argent, Robert McDonald, Roger Short and Peter Richards are independent.

The Chairman, Russell Kempnich and Antony Jacobs are Non-Executive Directors but are not independent within the meaning of the Guidelines. Antony Jacobs was nominated by Sedgman's major shareholder, Leighton Holdings. However, they have extensive experience and knowledge of the industries in which Sedgman operates and Sedgman does not believe that their decision-making is compromised.

The Board believes that each Director acts in good faith and in the best interests of all shareholders at all times. Enforcement of conflict-of-interest protocols whereby Directors who have a material personal interest in a matter are not permitted to be present during discussions or to vote on a matter further ensures this. Additionally, the Non-Independent Directors have extensive experience and knowledge of the industries in which Sedgman operates, which offers considerable value.

The Board believed that during FY2014 Russell Kempnich was the most appropriate person for the position of Chairman because of his experience and knowledge, as well as his seniority. The roles of Chief Executive Officer and Chairman are exercised by separate persons.

All Directors may, at Sedgman's expense, obtain independent advice concerning any aspect of Sedgman's operations. Sedgman has procedures in place to enable Directors to obtain independent advice, including a requirement, in certain circumstances, for Directors to obtain Chairman approval.

The Remuneration and Nominations Committee (the Committee) ensures that the Board is comprised of individuals who are best able to discharge their duties as Directors and add value to Sedgman, and that senior executives are remunerated in a manner that attracts, retains and rewards performance and increases shareholder returns. The Committee's Charter is published as part of the Corporate Governance Charter and is available in the Corporate Governance section of the Sedgman website.

The process for evaluating the performance of the Board, its committees and individual Directors is disclosed in the Board Charter. A performance evaluation for Key Management Personnel took place in FY2014 and was in accordance with the process disclosed. The Committee met on three occasions during the previous financial year. Details of Committee meeting attendance are included in the Directors' report in the Financial Statements.

Members of the Committee are:

- Roger Short, Chairman, Independent Director
- Russell Kempnich, Non-Executive Director
- Robert McDonald, Independent Director.

Principle 3 – Promote ethical and responsible decision-making

3.1 The Board has adopted a detailed Code of Ethics and Values to guide Directors and executives in the performance of their duties.

3.2 The Board has adopted a Diversity Policy which is available on the Sedgman website.

3.3 The Board has adopted measurable objectives for achieving gender diversity in accordance with the Diversity Policy.

3.4 The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board is disclosed below.

3.5 All information in the Guidelines on reporting on Principle 3 is provided.

The Code of Ethics and Values (as part of the Corporate Governance Charter) guides Directors and executives in the performance of their duties. All Directors, executives and employees are expected to act with integrity at all times and to enhance the Company's reputation and performance. Employees are required to acknowledge their personal commitment to the Sedgman Code of Conduct that outlines the values, policies and standards employees must uphold.

The Board has also adopted a Code of Conduct for Transactions in Securities. The purpose of this code is to define the circumstances and periods in which Directors, executives, and specified employees are permitted to deal in securities so as to minimise the risk of securities being traded when those persons are in possession of price-sensitive information that is not in the public domain.

These periods are the four weeks following the announcement of half-year and full-year results and the four weeks following the Annual General Meeting. Trading in these periods is subject to those persons not being in possession of price-sensitive information.

These codes have been designed to ensure the highest ethical and professional standards as well as compliance with applicable statutory obligations. The Code of Ethics and Values and the Code of Conduct for Transactions in Securities are published as part of the Corporate Governance Charter and are available in the Corporate Governance section of the Sedgman website.

The Board has adopted a Diversity Policy that is available in the Corporate Governance section of the Sedgman website. The Board and Management recognise the importance of gender diversity and characteristics such as education, experience, language, ethnicity, disability, sexual orientation and age.

Corporate Governance Statement (continued)

Principle 3 – Promote ethical and responsible decision-making (continued)

Sedgman's objective is to maintain or improve the participation of women within all levels of the organisation. The percentage of women in the entire organisation rose slightly from 18% in FY2013 to 19% in FY2014.

This slight increase reflects the Board's commitment to diversity despite the reduction in headcount as a result of the slowing of activity in the resources sector.

The proportion of female employees within the Company as at the date of this Annual Report is detailed below:

	No. Employees	% Employees
Board	0	0%
Senior Management	1	14%
Organisation	128	19%

Principle 4 – Safeguard integrity in financial reporting

4.1 The Board has an Audit and Risk Management Committee.

4.2 The Committee consists of a majority of Independent Directors, is chaired by an Independent Director and has three members.

4.3 The Committee's Charter is contained in the Corporate Governance Charter and can be viewed on the Sedgman website.

4.4 All the information indicated in the Guidelines to reporting on Principle 4 is provided.

Each reporting period the CEO and Managing Director, and the Chief Financial Officer, state in writing to the Board that Sedgman's financial reports present a true and fair view of the Company's financial position and are in accordance with relevant accounting standards.

The Audit and Risk Management Committee makes recommendations to the Board on the adequacy of the external audit, risk management and compliance procedures. The Committee is responsible for approving the annual internal audit program and reviewing the outcomes from assignments. The Committee has its own charter that is published as part of the Corporate Governance Charter and is available in the Corporate Governance section of the Sedgman website.

The Audit and Risk Management Committee met on four occasions during the previous financial year. Details of Committee meeting attendance are included in the Directors' Report in the Financial Statements.

During FY2014 the Committee members were:

- Peter Richards, Chairman, Independent Director
- Roger Short, Independent Director
- Donald Argent, Independent Director.

Principle 5 – Make timely and balanced disclosure

5.1 The Board has adopted a Continuous Disclosure Policy that is available on the Sedgman website.

The Company has established policies and procedures to enable accurate, timely, clear and adequate disclosure to the market in compliance with the ASX Listing Rules. The Company's Continuous Disclosure Policy is available in the Corporate Governance section of the Sedgman website.

Continuous disclosure is a permanent item on the agenda for Board meetings. The Directors have entered into agreements with the Company to inform it of any trading undertaken by them in the Company's securities or any other relevant information.

The Company Secretary has been appointed as the person responsible for communication with the ASX in relation to listing-rule matters.

Principle 6 – Respect the rights of shareholders

6.1 The Board has adopted a Shareholder Communication Policy that is available on the Sedgman website.

6.2 All the information indicated in the Guidelines to reporting on Principle 6 is provided.

The Board recognises the importance of factual, timely, clear and objective communication with shareholders and is committed to keeping shareholders informed of the Company's performance and major developments.

The Shareholder Communications Policy is available in the Corporate Governance section of the Sedgman website.

Annual reports, presentations and other correspondence are contained in the "News & Investors" section of the Sedgman website.

Shareholders and interested parties may register to receive all documents and announcements electronically.

Shareholders are encouraged to attend and participate at general meetings. Sedgman's auditor attends the Annual General Meeting and is available to answer shareholders' questions in relation to the audit.

Principle 7 – Recognise and manage risk

7.1 The Board has an Audit and Risk Management Committee which has implemented an enterprise risk management framework.

7.2 The Board receives representations from management as to the effectiveness of Sedgman's management of its material business risks.

Principle 7 – Recognise and manage risk (continued)

7.3 The Board has received assurance from the CEO and Managing Director, and Chief Financial Officer, that the declaration provided in accordance with s 295A of the *Corporations Act 2001* (Cth) is founded on a system of risk management and internal control and that the system is operating effectively.

The Board, together with Management, has sought to identify, monitor and mitigate risk. Management has designed, and the Company has implemented, an enterprise risk management framework based on ISO 31000 to ensure that it only takes on business which provides an acceptable risk–reward profile and does not expose the Company to unacceptable commercial risk.

A summary of Sedgman's risk management framework for the oversight and management of material business risks can be reviewed in the Corporate Governance Charter available in the Corporate Governance section of the Sedgman website. Internal controls are monitored by Management on a regular basis and improved if necessary. Management has reported to the Board as to the effectiveness of Sedgman's management of its material business risks.

The Board requires and has received assurance from the CEO and Managing Director, and Chief Financial Officer, that the declaration provided in accordance with s 295A of the *Corporations Act 2001* (Cth) is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

In addition to regular reviews by the Company, the Audit and Risk Management Committee reviews the effectiveness of the risk management system.

Principle 8 – Remunerate fairly and responsibly

8.1 The Board has established a Remuneration and Nominations Committee (the Committee).

8.2 The Committee consists of a majority of Independent Directors, is chaired by an Independent Chair and has three members.

8.3 The structure of Non-Executive Directors' remuneration is distinguished from that of Executive Directors and senior executives.

8.4 The information indicated in the Guidelines to reporting on Principle 8 is provided.

The Company's policy in relation to remuneration is to ensure that remuneration packages properly reflect the person's duties and responsibilities, and that the remuneration is competitive to attract, retain and motivate people of the highest quality and so that it rewards performance.

In performing its remuneration function, the Committee advises on remuneration policy in respect of the Non-Executive and Executive Directors as well as senior executives to ensure conformance with market best practice and alignment with shareholder interests. The Committee's Charter is published as part of the Corporate Governance Charter and is available in the Corporate Governance section of the Sedgman website.

The Board believes that an appropriate equity incentive scheme assists in attracting and retaining executives, motivates to improve performance and aligns their interests with those of the Group and its shareholders.

Sedgman clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives, with Non-Executive Directors receiving an agreed percentage of their remuneration as shares purchased on market following the release of half-year and full-year results and being ineligible to participate in either Sedgman's Short Term Incentive Plan or Long Term Incentive Share Plan.

Remuneration of Directors and executives is fully disclosed in this Annual Report as at its date and any changes with respect to key executives are announced in accordance with continuous disclosure requirements.

The Committee met on three occasions during the previous financial year. Details of Committee meeting attendance are included in the Directors' report in the Financial Statements.

During FY2014 the Committee members were:

- Roger Short, Chairman, Independent Director
- Russell Kempnich, Non-Executive Director
- Rob McDonald, Independent Director.

MUNGARI
GOLD PROJECT

Financial statements for the year ended 30 June 2014

Contents

This financial report covers the consolidated entity consisting of Sedgman Limited and its controlled entities (the "Group"). The financial report is presented in Australian currency.

Sedgman Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, 2 Gardner Close
Milton QLD 4064
AUSTRALIA

Directors' report

The Directors present their report together with the financial statements of the Group consisting of Sedgman Limited ("Sedgman" or "the Company") and its subsidiaries for the year ended 30 June 2014 and the auditor's report thereon.

1. Directors

The following persons were directors of Sedgman Limited during the financial year:

Russell James Kempnich
(Appointed 6 July 1999)

Peter Richard Watson
(Appointed 26 June 2014)

Donald James Argent
(Appointed 12 April 2006)

Robert John McDonald
(Appointed 8 June 2006)

Roger Ronald Short
(Appointed 8 June 2006)

Peter Ian Richards
(Appointed 14 December 2010)

Antony Leslie Jacobs
(Appointed 3 October 2013)

Nicholas Neil Jukes
(Appointed 17 January 2011, resigned 26 June 2014)

Bruce Alwin Munro
(Appointed 21 December 2009, resigned 31 July 2013)

Refer Section 11 of this report for information on directors.

2. Principal activities

The principal activities of the Group during the financial year consisted of project and operational services to the resources industry.

3. Review of financial performance

The Group's financial performance is explained using measures that are not defined under Australian Accounting Standards ("AASBs") and are therefore termed non-statutory measures. The non-statutory financial information contained within this Directors' report has not been audited or reviewed. The non-statutory measures used to monitor Group and business segment performance are combined sales revenue, earnings before interest, tax and amortisation ("EBITA") (underlying), EBITA (margin), and net cash. Refer to section 3.7 of this report for a reconciliation of these non-statutory amounts to statutory financial information.

3.1. Business summary

Sedgman is a leading provider of mineral processing and associated infrastructure solutions to the global resources industry. Providing multi-disciplinary engineering, project delivery and operations services, Sedgman offers expertise across all commodities including gold, copper, coal, iron ore, lead and silver. The whole-of-life approach is demonstrated through the Group's Create, Build, Operate business model with Sedgman partnering with clients from pre-feasibility and design through to construction, commissioning, operations and beyond, striving for excellence at every stage of delivery.

With a client base ranging from emerging to major mining companies Sedgman tailors fully integrated solutions to optimise clients' return on investment. Relationships are built on a foundation of trust and a commitment to delivering projects and operations on time, on budget and safely.

3.2. Performance overview

Net loss after tax of ($7.693) million for FY 2014 was less than the FY 2013 net profit after tax of $9.428 million. The result was adversely impacted by reduced sites within the Operations business, the Projects business, the recognition of an onerous rental lease contract taken up due to reduced headcount and the write off of tax assets in foreign jurisdictions.

Overall performance for FY 2012 to FY 2014 is tabulated below:

	Combined sales revenue		EBITA (underlying)		EBITA margin
	$ millions	% Growth	$ millions	% Growth	%
FY 2014	**355.9**	**(18.2)**	**3.9**	**(85.7)**	**1.1**
FY 2013	435.4	(32.8)	27.5	(57.0)	6.3
FY 2012	647.4	16.7	64.0	50.6	9.9

The combined sales revenue decreased by $79.439 million to $355.912 million. The decrease is attributable to reduced operations sites and a slowdown in the Projects business. Key contributors to this is a sustained cyclical downturn in capital expenditure within the resources industry particularly in coal and a move by major miners towards bringing site operations in-house where practicable.

The Group's overheads are continually under review and have been reduced over the last two financial years; however this is being balanced with a need to maintain a core capability in delivering studies, projects and effectively managing clients' operations.

During the year Sedgman had redundancies of 45 employees from Projects, Operations and Corporate. The cost of these redundancies (excluding the payment of leave provisions) was $1.656 million.

The number of full-time equivalent employees reduced from 788 at the end of FY 2013 to 681 at the end of FY 2014 which reflects natural attrition, terminations at end of fixed-term contracts and release of contract staff, as well as the redundancies referred to above.

Directors' report (continued)

3. Review of financial performance (continued)
3.3. Projects segment

Sedgman's Projects business specialises in resource planning and assessment, project feasibility and engineering design across process, mechanical, civil, structural, electrical and controls disciplines. Projects are delivered through flexible commercial models including Engineering, Procurement and Construction ("EPC") and Engineering, Procurement and Construction Management ("EPCM"). A global procurement network including a sourcing hub in Shanghai provides cost advantages which are passed onto clients.

Safety is inherent throughout the entire project lifecycle from initial concept development through to project completion. The Projects business also focuses on the innovative incorporation of technology to increase value and reliability for clients.

Based on client requirements and experience with proven plant configurations, Sedgman can provide complete modular facilities or auxiliary circuits linked to client-owned plants to increase output, decrease operating costs, upgrade quality and manage asset and labour needs.

The Projects business undertakes studies and projects in the major mining regions of Australia, Africa, Asia and the Americas. With a thirty five year history of proven performance in remote regions, Sedgman can deliver projects across the globe. Current projects being delivered demonstrate the success of Sedgman's strategy of global and commodity based diversification.

- Idemitsu (Australia) – Boggabri CHPP project
- La Mancha (Australia) – Mungari gold project
- Guyana Goldfields (Guyana) – Aurora gold project
- Fortescue Metals Group (Australia) – Solomon Mine B60 iron ore project

The Projects business' performance for FY 2012 to FY 2014 is tabulated below:

Projects	Combined revenue		EBITA (underlying)		EBITA margin
	$ millions	% Growth	$ millions	% Growth	%
FY 2014	**221.1**	**(9.4)**	**(7.2)**	**(163.2)**	**(3.3)**
FY 2013	243.9	(48.3)	11.3	(76.0)	4.6
FY 2012	471.7	20.1	47.1	68.8	10.0

Combined sales revenue for the Projects business decreased by $22.833 million as a number of significant projects undertaken in FY 2013 were not replaced in FY 2014. The biggest downturn was in the coal market. Coal projects were deferred as a result of declining long-term coal price forecasts and the high value of the Australian dollar.

The Group's commodity diversification strategy continued to build momentum following the successful delivery of the Mungari Gold project in Western Australia in April of this year and the commencement of the Aurora Gold project in Guyana, South America announced in May 2014 (this project is scheduled to reach commercial production by mid-2015).

Projects underlying EBITA was ($7.193 million), (3.3%) of combined sales revenue which is less than the 4.6% margin achieved in FY 2013. Project margins were less than the prior year due to lower utilisation of Projects staff as a result of the continued slowdown in study and engineering activity, particularly in the first half of the year. There has been some improvement noted in the second half contributing to an improved pipeline of work opportunities, supported by clients seeking EPC contracts to provide them with improved project delivery assurance.

The resources sector globally continues to face a challenging environment as commodity prices have fallen from historic highs. In response, the larger mining companies have changed focus from expansion of production to cutting costs, increasing margins, improving productivity for existing assets and disposing of non-core assets. The initiation of new capital projects is likely to be delayed in the short term except in circumstances in which the financial impact for take or pay agreements for services such as rail and port capacity are committed. In addition, low cost, high grade, and smaller scale projects that do not require large supporting infrastructure (such as Base and Precious metals projects) are being funded and developed.

In this environment, the smaller mining companies faced with funding shortfalls to develop their projects will continue to experience difficulty in raising equity and debt for capital expenditure.

Project margins are expected to remain under pressure as competition for reduced opportunities intensifies.

Sedgman is responding to these market conditions by seeking opportunities from offshore markets which are not affected by the high Australian dollar and higher operating cost environment.

3.4. Operations segment

Sedgman's Operations business provides all services required to operate and manage materials handling and processing plants with a focus on operational certainty and asset optimisation. The Operations capability assists clients by providing industry leading technical knowledge and experience.

Services include long and short term contract operation and maintenance of plants and associated infrastructure, operations development, management and support, as well as a full operations consultancy service. The Operations business delivers productivity and efficiency gains for clients by optimising plant safety, throughput and production quality.

Established systems enable Sedgman to assume contract operations of greenfield or brownfield plants with minimal ramp-up times. The Operations business is able to add incremental operations to its operations portfolio and accordingly is well positioned to support new entrants into the market. The Operations business has undertaken work in Australia and Mongolia operating thermal and metallurgical coal and base metals sites.

As well as servicing regular operations contracts, our on-call operations consultancy provides support in asset management, maintenance strategy, reliability engineering, processing, electrical engineering and controls systems.

Directors' report (continued)

3. Review of financial performance (continued)
3.4 Operations segment (continued)

The Operations business' performance for FY 2012 to FY 2014 is tabulated below:

Operations	Combined sales revenue		EBITA (underlying)		EBITA margin
	$ millions	% Growth	$ millions	% Growth	%
FY 2014	**134.8**	**(29.6)**	**11.1**	**(31.0)**	**8.3**
FY 2013	191.4	9.0	16.1	(4.7)	8.4
FY 2012	175.7	8.3	16.9	15.8	9.6

Combined Operations sales revenue decreased by $56.606 million compared to the prior year as anticipated. Five operating sites managed in 2013 on behalf of clients have been either shut down or transitioned back to the owners.

Operations underlying EBITA was $11.132 million, 8.3% of combined sales revenue. Margins have been maintained within expectations as the Operations business focuses on improved productivity, cost control as well as the continuous improvement in operating performance at all sites.

During the year the Red Mountain contract was re-signed for a further three years with a two year option. All other contracts within the Operations' portfolio continue to operate and the company is currently in discussions with:

- Goldfields – Agnew operations contract
- Glencore – Mt Isa operations contract
- Q-Coal – Sonoma operations contract

Sedgman is also in discussion with potential mining clients both within Australia and internationally with the aim of securing new operations. Sedgman is focused on delivering value to clients by ensuring competitiveness in the market and offering a lower-cost option than owners (self-perform) by leveraging its systems, processes and procurement capability. The primary risk faced by Operations in FY 2015 is reduced scope, lower margins and transfer of current operations to owner-operates at the end of current contract terms.

The growth opportunities for the business unit lie with potential clients which have operating sites in need of productivity improvements, cost reductions, and simplification by outsourcing their operations to specialists. In addition, as the majors divest non-core assets, opportunities exist for Sedgman to provide operating services to new owners wishing to leverage Sedgman's existing experience, expertise and systems.

3.5. Balance sheet
3.5.1. Assets

Total assets decreased by $34.423 million to $255.957 million. During the financial year a significant driver was a reduction in working capital due to a decline in both the Operations and Projects businesses. This working capital reduction released cash to the business that has been utilised to pay dividends and re-invested in the business, primarily for sustaining capital purposes.

Working capital management is a key focus of the Group; the Group has commercial and contract guidelines in place to safeguard the Group's commercial interests. The Group's contracting philosophy is to be cash positive; however from time to time, due to timing of projects, execution and achieving final contract closure can result in under claims with our clients. Property, plant and equipment decreased by $11.558 million predominately due to depreciation charges of $13.172 million partly offset by capital expenditure of $2.213 million. Capital expenditure has been constrained in the current economic climate to those items that reduce costs with rapid payback, are required to remain competitive or sustain the business.

3.5.2. Liabilities

Total liabilities decreased by $19.739 million to $92.594 million during the period, as a result of the slowdown in the global Projects business and reduced sites in the Operations business. Contributing to this, trade and other payables decreased by $18.440 million.

3.5.3. Equity

Overall equity decreased by $14.684 million primarily due to Net Loss after Tax for the year ended 2014 of ($7.693) million and dividends paid during the year of ($8.872) million, partly offset by increases related to the dividend reinvestment plan.

3.5.4. Dividends

Sedgman's policy is to pay an interim and a final dividend each year in the range of 40% to 60% of the reported Net Profit after Tax. Dividends are fully franked to the extent possible. The Company has excess franking credits and will be able to pay dividends which are fully franked for the foreseeable future. The Board will take into consideration any one-off factors and the cash requirements of the business when declaring a dividend.

3.5.5. Financing facilities

During the year Sedgman has reduced its club financing facilities with two Australian banks, Australia and New Zealand bank and the National Australia Bank which caters for the majority of Sedgman's financing requirements. At year end the Group had total financing facilities of $144.135 million. The financing facilities in place for the Group provide flexibility, including bank guarantees to meet the Group's project bonding requirements as well as asset and working capital financing facilities.

3.5.6. Net cash

The Group had net cash of $76.476 million at the end of the financial year. The Board is maintaining a conservative cash position as the resources sector transitions through the capital cycle.

3.6. Material business risks

Sedgman has an enterprise risk management framework that is structured to ensure risks and opportunities are captured, assessed and reviewed in a consistent manner.

Directors' report (continued)

3. Review of financial performance (continued)
3.6. Material business risks (continued)

The top risks and associated mitigation strategies identified are as follows:

Business risk	Mitigation strategy
A decline in the number of new projects initiated and/or insourcing of operations by owners has the potential to impact revenue and profitability.	The Group has a diverse service offering across a range of geographies and commodities.
Sedgman's licence to operate in the resources sector is conditional on having a robust safety management system and any significant failure may injure people.	Senior management, employees and suppliers are aligned and proactively engaged with the Group's safety management system.
The Group operates globally to support clients in foreign jurisdictions. Poor planning or execution of projects has the potential to damage the Group's reputation, profitability and ability to repatriate cash.	Sedgman engages with reputable external advisors, conducting a robust pre-contract assessment process, on-going monitoring, and adherence to the Group's processes and procedures.
Sedgman is a market leader in coal technology. A loss of this reputation would erode market share and increase competition in the sector.	Sedgman leverages its business model of building and operating and continues to focus on innovation and research and development.
Sedgman operates in a global market. Foreign competitors offering a lower cost model for services sourced in lower cost countries.	Sedgman provides technical leadership with value proposals based on offshore design offices and procurement services.

3.7. Alternative performance measures reconciliations

In addition to using profit or loss as a measure of the Group's and its segments' financial performance, Sedgman uses combined sales revenue, EBITA (underlying), EBITA (margin), and net cash measures. These non-statutory measures have not been audited or reviewed.

The following are reconciliations of combined sales revenue to revenue from services in the statutory financial statements. This has been prepared for the Group and each reporting segment. Comparatives have been restated due to changes in accounting policy, refer note 45 to the consolidated financial statements.

Reconciliation of Group combined sales revenue	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000
Combined sales revenue	**355,912**	435,351	647,417
Changes in construction work in progress	**(28,033)**	34,178	31,092
Share of GSJV revenue	**(17,735)**	–	–
Sedgman revenue from GSJV	**9,698**	–	–
Group share of associates revenue	**(1,419)**	(1,138)	–
Contract terminations	–	(1,750)	–
Revenue from services	**318,423**	466,641	678,509

Reconciliation of Project's combined sales revenue	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000
Projects combined sales revenue	**221,087**	243,920	471,677
Changes in construction work in progress	**(28,033)**	34,178	31,092
Share of GSJV revenue	**(17,735)**	–	–
Sedgman revenue from GSJV	**9,698**	–	–
Share of associates revenue	**(1,419)**	(1,138)	–
Revenue from project services	**183,598**	276,960	502,769

Directors' report (continued)

3. Review of financial performance (continued)

3.7. Alternative performance measures reconciliations (continued)

Reconciliation of Operation's combined sales revenue	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000
Operations combined sales revenue	**134,825**	191,431	175,740
Contract terminations	**—**	(1,750)	—
Revenue from operations services	**134,825**	189,681	175,740

The following are reconciliations of EBITA (underlying) to net profit/(loss) in the statutory financial statements. This has been prepared for the Group and each reporting segment. Comparatives have been restated due to changes in accounting policy, refer note 45 to the consolidated financial statements.

Reconciliation of Group EBITA (underlying)	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000
EBITA (underlying)	**3,939**	27,458	63,915
Interest income / change in fair value of financial assets	**2,859**	1,857	1,058
Finance costs	**(2,710)**	(2,795)	(2,188)
Impairment of property, plant and equipment	**—**	(6,358)	—
Redundancy costs	**(1,656)**	(2,994)	—
Onerous contract (lease)	**(3,666)**	—	—
Amortisation (brand and customer contracts)	**(1,147)**	(3,790)	(3,851)
Net (loss)/profit before tax	**(2,381)**	13,378	58,934
Income tax (expense)/benefit	**(5,312)**	(3,950)	(21,086)
Net (loss)/profit after tax	**(7,693)**	9,428	37,848

Reconciliation of Projects' EBITA (underlying)	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000
Projects EBITA (underlying)	**(7,193)**	11,325	46,969
(Other income) / expenses	**(1,089)**	(2,649)	(5,378)
Finance costs	**(1,216)**	(1,254)	(1,076)
Redundancy costs	**(1,433)**	(2,654)	—
Onerous contract (lease)	**(2,995)**	—	—
Reportable segment (loss)/profit before tax	**(13,926)**	4,768	40,515

Reconciliation of Operations' EBITA (underlying)	FY 2014 $'000	FY 2013 $'000	FY 2012 $'000
Operations EBITA (underlying)	**11,132**	16,133	16,946
(Other income) / expenses	**(256)**	(800)	—
Finance costs	**(1,494)**	(1,541)	(1,112)
Impairment of property, plant and equipment	**—**	(6,358)	—
Redundancy costs	**(223)**	(340)	—
Onerous contract (lease)	**(671)**	—	—
Amortisation (brand and customer contracts)	**(1,147)**	(3,790)	(3,851)
Reportable segment (loss)/profit before tax	**7,341**	3,304	11,983

3. Review of financial performance (continued)

3.7. Alternative performance measures reconciliations (continued)

EBITA (margin) is defined as EBITA (underlying) divided by combined sales revenue.

The following is a reconciliation of net cash to cash and cash equivalents. Comparatives have been restated due to changes in accounting policy, refer note 45 to the consolidated financial statements.

	FY 2014 $'000	FY 2013 $'000
Net cash	**76,476**	76,365
Interest bearing liabilities (current)	**9,860**	5,750
Interest bearing liabilities (non-current)	**11,453**	21,239
Cash and cash equivalents	**97,789**	103,354

4. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Declared and paid during the year ended 30 June 2014	**Cents per share**	**Total Amount $'000**
Final 2013 ordinary	2.0	4,407
Interim 2014 ordinary	2.0	4,465
	4.0	8,872

Declared and paid during the year ended 30 June 2014	**Franked/ Unfranked**	**Date of payment**
Final 2013 ordinary	Franked	17 Sept 2013
Interim 2014 ordinary	Franked	28 March 2014

Franked dividends declared as paid during the year were fully franked.

After the balance sheet date, a dividend of 2.0 cents per share was declared by the Directors, fully franked. The record date for entitlement to this dividend will be 10 September 2014 and the payment date will be 24 September 2014.

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

5. Earnings per share

	2014 Cents	2013 Cents
(a) Basic earnings per share (Loss)/profit attributable to the owners of the Company	**(3.4)**	4.3
(b) Diluted earnings per share (Loss)/profit attributable to the owners of the Company	**(3.4)**	4.3

6. Significant changes in the state of affairs

Other than detailed elsewhere in this report, there have been no significant changes in the state of affairs since 30 June 2013.

7. Matters subsequent to the end of the financial year

Other than the dividend declared subsequent to year end (refer note 29 to the consolidated financial statements), there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8. Likely developments and expected results of operations

Information on likely developments and the expected results in future financial years have been detailed within the Review of Financial Performance section of this report (Section 3).

9. Shares under performance rights

At the date of this report, unissued ordinary shares of the Company under rights are:

Expiry date	**Exercise price**	**Number of shares**
27 August 2014	–	1,714,847
August 2016*	–	3,178,000

*ACTUAL VESTING DATE WILL BE THE DATE THE FINANCIAL RESULTS ARE RELEASED TO THE MARKET.

All performance rights outstanding at the end of the financial year were issued under the Long Term Incentive Plan and expire on the earlier of their vesting date or termination of the employee's employment. In addition, the ability to convert the performance right is dependent upon the achievement of a performance condition. Further details are included in the Remuneration Report. Details of ordinary shares issued in relation to performance rights vesting during the financial year are included in the Remuneration Report.

In addition to the above, the Company has 788,000 cash-settled share-based rights as detailed in Note 41(c) to the consolidated financial statements.

During or since the end of the financial year, no ordinary shares of the Company were issued as a result of the exercise of performance rights.

10. Regulation

Sedgman's operations are regulated by national and state government legislation that encompasses environmental matters, occupational health and safety, and industrial relations.

Environmental authorities are involved at all stages of a project to ensure it complies with legislation and effectively manages pollution, waste, water use, contamination, dust, noise and other issues that have the potential to impact the environment.

Safety is regulated by various acts, regulations and standards. Clients also have specific safety requirements which are a primary driver for the selection of service providers in the industry.

Compliance with industrial relations regulations is achieved through planning and consultation. Individual project requirements are assessed and appropriate strategies developed to achieve industrial harmony and legislative compliance on a "per project" basis.

Directors' report (continued)

11. Information on directors

Russell James Kempnich

B ENG (MECH)

Chairman, Non-Executive Director

DOB: 30 December 1952
Russell was appointed Chairman in April 2006. He is a founding partner of Sedgman & Associates Pty Ltd, the original company established in 1980, from which the Sedgman business has grown. Russell has more than 35 years experience in the Australian and international coal industry with broad experience in the areas of coal resource evaluation, process plant design, construction and commissioning.

As Managing Director of Sedgman from 1991, Russell led the organisation's growth from a consulting and engineering firm, to a market leader in coal preparation, design and construction. He was responsible for the expansion of the Company's operations internationally.

Other public directorships
Non-Executive Director of Stanwell Corporation Limited.

Special responsibilities
Member of the Remuneration & Nominations Committee.

Interest in shares
16,840,442 ordinary shares in Sedgman Limited.

Peter Richard Watson

B ENG (CHEM) (HONS), DIP ACC FIN MGT, FIEA, CP ENG, GAICD

Chief Executive Officer and Managing Director

DOB: 31 August 1961
Peter was appointed Chief Executive Officer and Managing Director in June 2014. Prior to his current role he held various senior positions at Sedgman including Regional Director, responsible for managing the Company's Australia West, Americas and Africa regions, and Executive General Manager Australia, responsible for activities in engineering, project delivery and contract operations across the coal, metals, iron ore and infrastructure sectors.

Peter is a chemical engineer with more than 25 years experience in the mining and resources sector. Prior to joining Sedgman, Peter was General Manager of AMEC where he was responsible for the development and execution of business activities in the resources sector across Eastern Australia and the Asia-Pacific region. Peter also worked in strategic management roles for Thiess where he was a member of the Senior Executive team.

Other public directorships
Nil.

Interest in shares
50,501 ordinary shares in Sedgman Limited.

Donald James Argent

B COM, CPA, FAICD

Independent Director

DOB: 19 July 1947
Don was appointed to the Board in April 2006. He was the Director of Finance and Administration for the Thiess Group (resigned 29 July 2011). Don has over 30 years experience in the mining industry which began in the late 1970s at Thiess Holdings Ltd and then with Thiess Pty Ltd from 1985, where he had a pivotal role in the finance, administration, governance, growth and success of the Thiess Group of companies for 26 years until his retirement in 2011.

Other public directorships
Non-Executive Director of Ausdrill Limited.

Special responsibilities
Member of the Audit and Risk Management Committee.

Interest in shares
298,173 ordinary shares in Sedgman Limited.

Robert John McDonald

B COM, MBA (HONS)

Deputy Chairman, Independent Director

DOB: 18 March 1950
Rob was appointed to the Board in June 2006. He is the principal of The Minera Group, a specialist mining advisory and investment group headquartered in Australia and active in most mining regions of the world. Minera assists a select number of mining companies and mining investment and finance institutions in developing and executing business plans in the sector. Rob has more than 35 years experience in the mining sector, firstly in various roles within the Rio Tinto group and prior to launching Minera and his private equity initiatives in investment banking as a principal of Resource Finance Corporation and as a Managing Director of N M Rothschild & Sons.

Other public directorships
Former Non-Executive Director of Kimberley Metals Limited (February 2010 - January 2012) and Intrepid Mines Limited (March 2008 - May 2014).

Special responsibilities
Member of the Remuneration & Nominations Committee.

Interest in shares
664,120 ordinary shares in Sedgman Limited.

Roger Ronald Short

LLB, BA

Independent Director

DOB: 13 October 1944
Roger was appointed to the Board in June 2006. He is a construction lawyer and most recently served as a consultant at McCullough Robertson Lawyers. Roger was previously a partner in a large national law firm. He has been

Directors' report (continued)

11. Information on directors (continued)

a member of the legal profession for over 30 years and has had extensive involvement in large scale property development projects and commercial, public infrastructure, construction, mining and infrastructure work.

He has been a director of listed companies for more than 30 years and also holds current directorships with private and government corporations.

Other public directorships
Non-Executive Director of Payce Consolidated Limited.

Special responsibilities
Member of the Audit and Risk Management Committee.
Chairman of the Remuneration & Nominations Committee.

Interest in shares
256,539 ordinary shares in Sedgman Limited.

Peter Ian Richards

B COM

Independent Director

DOB: 29 January 1959
Peter was appointed to the Board in December 2010. He has over 30 years experience in the mining services and industrial sectors with global companies including BP plc, Wesfarmers, Dyno Nobel Limited and Norfolk Group Limited where he served as Managing Director. In his time at Dyno Nobel he held a number of senior executive positions in both North America and Asia Pacific. He serves as a Director with several ASX-listed companies.

Other public directorships
Chairman of Cockatoo Coal Limited and NSL Consolidated Limited.
Non-Executive Director of Emeco Holdings Limited and Bradken Limited.

Special responsibilities
Chairman of the Audit and Risk Management Committee.

Interest in shares
117,174 ordinary shares in Sedgman Limited.

Antony Leslie Jacobs

B COM, MAICD

Non-Executive Director

DOB: 28 May 1945
Tony is a highly experienced director of finance, currently consulting to Leighton Holdings. Prior to establishing his consulting business, Tony was the Chief Financial Officer of Leighton Asia Limited from 1992 to 2001 and again from 2008 to 2012 where he was responsible for all financial and administration matters of the company's operation in Asia. He was also the Chief Financial Officer for Leighton Contractors in Australia from 2002 to 2006. Tony has more than 50 years experience in the construction and mining industries. He has held senior finance positions in Australia, the USA and Hong Kong for John Holland, Strarch International and for Leighton.

Other public directorships
Nil.

Interest in shares
7,743 ordinary shares in Sedgman Limited.

Bruce Alwin Munro

B ENG (CIVIL)

Former Non-Executive Director

DOB: 31 December 1953
Bruce is currently the Managing Director of the Thiess group. He leads one of Australia's largest integrated engineering and service contractors, with substantial operations in Indonesia and India. Bruce was formerly Thiess' Chief Executive Mining, with responsibility for the company's mining operations across Australia and offshore.

Bruce has more than 35 years' experience in the construction and mining industries. Commencing his career with Leighton Contractors, Bruce joined Thiess in 1986. From 1999 through to 2006 he was President Director of PT Thiess Contractors Indonesia. Bruce went on to become Executive General Manager Asia from 2006 to 2010, during which time he expanded Thiess' interests in Asia and pursued opportunities in India.

Bruce was appointed to the role of Non-Executive Director on 21 December 2009 and resigned on 31 July 2013.

Other public directorships
Nil.

Interest in shares
20,076 ordinary shares in Sedgman Limited (as at the date of resignation on 31 July 2013).

Nicholas Neil Jukes

B ENG (CIVIL), FIEA

Former Chief Executive Officer and Managing Director

DOB: 13 July 1956
Nick is a civil engineer with over 30 years experience in the engineering, construction and mining sectors. Prior to joining Sedgman, he was Executive Director of JTAA Pty Ltd, a company he established in 2007 to provide consulting services to the engineering and mining sectors. Nick has also held senior executive roles at Thiess and BHP Billiton Ltd where he was actively involved in the planning, development, construction and operation of major projects throughout Australia, South East Asia and South America. He was a previous Director of a number of companies including Sedgman Pty Ltd and Australasian Resources Pty Ltd.

Nick assumed the roles of Chief Executive Officer and Managing Director in January 2011. He resigned from these roles on 1 June 2014 and 26 June 2014 respectively, then formally left the organisation on 27 June 2014.

Other public directorships
Non-Executive Director of AWE Limited (August 2010 – November 2012).

Interest in shares
860,000 ordinary shares in Sedgman Limited (as at the date of resignation on 27 June 2014).

Directors' report (continued)

12. Company Secretary

The company secretary is Mr Adrian Relf. He was admitted as a solicitor in 2003 and holds the qualifications of Bachelor of Social Science, Bachelor of Laws, Graduate Diploma of Legal Practice and Graduate Diploma of Management.

13. Meetings of directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees(i)			
			Audit & Risk Management		Remuneration & Nominations	
	A	B	A	B	A	B
Russell Kempnich	6	7			3	3
Peter Watson (Appointed 26 June 2014)(ii)	0	0				
Nicholas Jukes (Resigned 26 June 2014)(iii)	7	7				
Donald Argent	7	7	4	4		
Robert McDonald	7	7			3	3
Roger Short	7	7	2	4	2	3
Bruce Munro (Resigned 31 July 2013)(iv)	0	0				
Peter Richards	7	7	4	4		
Antony Jacobs (Appointed 3 October 2013)	5	5				

A = NUMBER OF MEETINGS ATTENDED

B = NUMBER OF MEETINGS HELD DURING THE TIME THE DIRECTOR HELD OFFICE OR WAS A MEMBER OF THE COMMITTEE DURING THE YEAR

(i) OTHER DIRECTORS MAY ATTEND COMMITTEE MEETINGS BY INVITATION.

(ii) PETER WATSON WAS APPOINTED AT THE CLOSE OF THE FINAL MEETING OF DIRECTORS.

(iii) NICHOLAS JUKES RESIGNED AT THE CLOSE OF THE FINAL MEETING OF DIRECTORS.

(iv) BRUCE MUNRO CEASED AS DIRECTOR PRIOR TO THE FIRST FULL MEETING OF DIRECTORS.

14. Remuneration report - audited

The directors are pleased to present the 2014 remuneration report which sets out remuneration information for Sedgman Limited's non-executive directors, executive directors and other key management personnel ("KMP").

Sedgman's remuneration strategy is designed to drive superior shareholder returns by aligning the short and long term interests of our people and our shareholders and by attracting and retaining high quality people.

14.1. Remuneration and Nominations Committee

The Remuneration and Nominations Committee ("Committee") was established as a sub-committee of the Board in 2006. The Committee comprises a majority of independent directors and is governed by its charter, which is contained in the Corporate Governance Charter available on the Sedgman website. The Charter sets out the membership, responsibilities, powers and activities of the Committee.

The following Directors were members of the Committee during FY2014:

Name	Position	Duration
Roger Short	Chairman	Since 6 June 2006
Russell Kempnich	Member	Since 6 June 2006
Robert McDonald	Member	Since 6 June 2006

The Committee met three times during FY2014 with details of attendances detailed in this Director's report.

The Committee may invite executives to attend meetings and assist in the performance of its functions (other than in respect of executive remuneration).

14.2. Remuneration Framework and Principles

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The framework shows the interests of shareholders and the executive group in consideration of:

(i) Alignment to shareholders' interests:

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Directors' report (continued)

14. Remuneration report - audited (continued)
14.2. Remuneration Framework and Principles (continued)

(ii) Alignment to executives' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution

The framework provides a mix of fixed and variable pay through the following three components which are discussed in more detail later in this report:

(i) fixed remuneration

(ii) short-term performance incentives through the Short Term Incentive Plan

(iii) long-term incentives through participation in the Long Term Incentive Plan.

As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The split of potential fixed remuneration and "at risk remuneration" for the Managing Director and other executives is detailed below. This is based on maximum potential short term incentives and long term incentives for the year ended 30 June 2014 and demonstrates the high percentage of remuneration that is at risk resulting in executive remuneration being closely aligned to actual Group performance.

Managing Director	Cash 76%		Equity 24%
2013-14 FY	Fixed pay 31%	STI 45%	LTI 24%

Executive KMPs (average)	Cash 91%		Equity 9%
2013-14 FY	Fixed pay 54%	STI 37%	LTI 9%

14.3. Use of remuneration consultants

No external remuneration consultants were engaged by the Board, Committee or executives to provide remuneration recommendations in relation to key management personnel during the year ended 30 June 2014.

14.4. Key management personnel changes and disclosures

During the year Sedgman undertook a review of its management structure to increase the focus on broadening market offerings whilst reducing costs across the Group. As a result from 1 September 2013, Peter Watson, previously Global Director – Development, took the leading role of the newly combined Australia West, Africa and Americas regions as Regional Director with his former role not being replaced. Simon Stockwell, previously Executive General Manager – Australia East took the leading role of the newly combined Australia East and Asia regions also as a Regional Director with his former role not being replaced. Michael Carretta's role of Regional Director – Operations has been removed and he has been appointed to the newly created role of Asset Management Services Director. Alan Ainsworth's role of Global Director – Projects has been removed and he has been appointed to the newly created role of Infrastructure Director.

Following on from the restructure certain Executive General Manager roles are no longer deemed KMP, namely: Javier Freire (Executive General Manager – Americas), Simon Mordecai-Jones (Executive General Manager – Africas) and Thomas Dockray (Executive General Manager – Asia). Also Sten Soderstrom (Executive General Manager – Australia West) ceased to be KMP upon his role being made redundant.

On 1 June 2014 Nick Jukes resigned from the role of Chief Executive Officer, with Peter Watson being appointed to the role. At the final Board meeting for the year on 26 June 2014 Nick Jukes also resigned as Managing Director, with Peter Watson assuming this role. Alan Ainsworth fulfilled Peter Watson's previously held Regional Director role as well as continuing in the Infrastructure Director role from 1 June 2014 to 30 June 2014.

For the purposes of all disclosures in this remuneration report:

(i) Nick Jukes ceased being KMP on 26 June 2014 upon resignation of his Directorship;

(ii) Javier Freire, Thomas Dockray and Simon Mordecai-Jones ceased being KMP on 30 August 2013;

(iii) Sten Soderstrom ceased being KMP on 12 July 2013;

(iv) Bruce Munro ceased being KMP on 31 July 2013; and

(v) All other directors and executives are KMP for the whole of the financial year from 1 July 2013 to 30 June 2014.

Personnel deemed KMP at any time during the year ended 30 June 2014 are:

Name	**Position**
Non-executive and executive directors – refer to section 11 of the Director's report for their names.	
Other key management personnel	
Ian Poole	Chief Financial Officer
Michael Carretta	Asset Management Services Director
Alan Ainsworth	Infrastructure Director / Regional Director
Ken Boulton	Executive General Manager – Australia Operations
Simon Stockwell	Regional Director
Sten Soderstrom	Executive General Manager – Australia West
Simon Mordecai-Jones	Executive General Manager – Africa
Javier Freire	Executive General Manager – Americas
Thomas Dockray	Executive General Manager – Asia

Directors' report (continued)

14. Remuneration report - audited (continued)

14.4. Key management personnel changes and disclosures (continued)

Subsequent to 30 June 2014, a corporate restructure including key management personnel was undertaken to align the business with a sector service approach and deliver on Sedgman's Global Minerals Strategy. This lead to the following changes in KMP:

Key Management Personnel*	Prior Role	New Role
Ian Poole	Chief Financial Officer	Director – Finance
Michael Carretta	Asset Management Services Director	Director – Engineering and Project Delivery
Alan Ainsworth	Infrastructure Director / Regional Director	Role made redundant
Ken Boulton	Executive General Manager – Australia Operations	Director – Operations
Simon Stockwell	Regional Director	Director – Client and Project Development

*NO CHANGES WERE MADE TO THE DIRECTORS OF THE COMPANY.

14.5. Fixed Remuneration

The fixed remuneration component of executive salaries includes base pay, benefits and superannuation.

Executives are offered a competitive fixed remuneration to reflect their role and responsibilities benchmarked against external data so it is consistent with the market for a comparable role. Executive performance and base pay is reviewed annually to ensure the executive's pay is competitive with the market and an executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any executives' contract.

Executives receive benefits including non-monetary benefits such as directors and officer's liability insurance. Executives may also choose to receive benefits by way of salary sacrificed motor vehicles and superannuation. The Group also provides superannuation in accordance with its legal obligations in the relevant jurisdiction.

14.6. Short Term Incentive ("STI") Plan

The Group's STI plan is a structured and equitable way of rewarding executives for both Group and individual performance. The STI plan links performance with the opportunity to earn cash incentives based on a percentage of base pay. There is no ability for executives to defer unearned portions of STI to future financial years.

If the Group achieves a predetermined net profit after tax ("NPAT") target for the year, a self-funding bonus pool becomes available which is then further adjusted based on each executive's performance during the annual review process. For the financial year ended 30 June 2014:

- the Managing Director's key performance indicators ("KPIs") were set based on specific performance targets in relation to Group commercial and financial performance (on a net profit after tax basis), health safety and environment, people management and retention and corporate sustainability. For the year ended 30 June 2014, 50% of the Managing Director's KPIs were linked to commercial performance, with the remainder being linked to non-financial targets and achievement of objectives detailed in the Group's business plan.
- other executive's KPIs was linked to Group financial performance and financial performance of the executive's area of responsibility, along with non-financial targets including health, safety and environment, people management, and implementation of the Group's business plans.

Use of KPIs balanced between group and individual targets is intended to ensure variable reward is only available when value has been created for shareholders and when individual and group performance is consistent with the business plan.

Each executive's bonus opportunity depends on the accountabilities of the role, impact on the organisation and business unit performance. The amount of bonuses paid to individual employees is based on achievement of pre-agreed KPIs and is at the discretion of the Managing Director having regard to the executive's overall performance.

Where group financial performance exceeds targets, executives are able to earn above their target STI to a maximum of between 50 to 75 per cent of their base salary depending on role and responsibilities.

The Managing Director's target STI is 75 per cent of his base salary with the opportunity to earn a maximum of 1.5 times base salary in years of exceptional group and individual performance.

14.7. Long Term Incentive ("LTI") Plan

The Group's LTI Plan is an equity incentive scheme which is intended to:

- reward high performance and to encourage a high performance culture across the Group
- align the interests of executives and senior management with those of the Group and shareholders
- provide the Group with the means to compete for talented staff by offering remuneration that includes an equity-based component, like many of its competitors
- assist with the attraction and retention of key personnel.

Executives and senior managers eligible to participate in the LTI Plan are considered by the Board to be in roles that have the opportunity to significantly influence long-term shareholder value.

The original LTI Plan applying to Tranches 1, 2 and 3 was approved by shareholders at the Group's Annual General Meeting in November 2009.

Under the LTI Plan, the Company may issue eligible participants with performance rights which entitle the holder to subscribe for or be transferred one fully paid ordinary share of the Company for no consideration, or an equivalent cash-settled value, subject to the achievement of performance conditions specified by the Board. Equity-settled performance rights granted under the LTI Plan carry no dividend or voting rights. Those eligible to participate in tranches 1, 2 and 3 of the LTI Plan include executive directors, executives and selected employees of the Group.

Directors' report (continued)

14. Remuneration report - audited (continued)

14.7. Long Term Incentive ("LTI") Plan (continued)

14.7.1. Performance rights – Tranches 1, 2 and 3

The following vesting profile is in place for Tranches 1, 2 and 3 of the LTI Plan:

Tranche	Performance measurement period	Vesting date	TSR ranking achieved	% Vested
1	1 July 2009 to 30 June 2012	23 August 2012	10	50%
2	1 July 2010 to 30 June 2013	21 August 2013	15	0%
3	1 July 2011 to 30 June 2014	28 August 2014	13	0%

The performance rights are issued to executive directors and employees for no consideration and are subject to the continuing employment and lapse upon resignation, redundancy or termination (unless certain circumstances such as death or disability where vesting is at the discretion of the Board) or failure to achieve the specified performance vesting condition. The performance rights will immediately vest and become exercisable if in the Board's opinion a vesting event occurs (as defined in the plan rules) such as a takeover bid or winding up of the Company. If the performance rights vest and are exercised the employee receives ordinary shares of the Company for no consideration.

The performance vesting condition for performance rights issued is relative to the Total Shareholder Return (TSR). At the end of each tranche's performance measurement period, the Board will rank the Company's TSR against a peer group of other companies considered by the Board to be peers or competitors of the Company. The percentage of performance rights in each respective tranche that will vest and become exercisable will depend upon the Company's TSR performance relative to the companies in the peer group (as determined by the Board) as set out in the table below.

Sedgman TSR ranking (at end of performance measurement period)*	Percentage of performance rights in relevant tranche that vest
1-5	100%
6	90%
7	80%
8	70%
9	60%
10	50%
11-20	0%

*THE ORIGINAL PEER GROUP INCLUDED 20 COMPANIES, INCLUDING SEDGMAN LIMITED. THE PEER GROUP NOW COMPRISES 16 COMPANIES, AS 4 COMPANIES WERE REMOVED FROM THE OFFICIAL LIST OF ASX LIMITED.

For performance rights granted under tranches 1, 2 and 3 the peer group includes the following companies: NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Austin Engineering Ltd; Boart Longyear Limited; Worley Parsons Ltd; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; and AJ Lucas Group Limited.

14.7.2. Performance rights – Tranches 4, 5 and 6

The LTI Plan was revised and re-approved by shareholders at the Group's Annual General Meeting in November 2012 to apply to Tranches 4, 5 and 6. The revised LTI Plan follows similar principles to the previous plan and seeks to:

- reward high performance and to encourage a high performance culture across the Group
- align the interests of executives and key senior management with those of the Group and shareholders
- provide the Group with the means to compete for talented staff by offering remuneration that includes an equity-based component, like many of its competitors
- assist with the attraction and retention of key personnel.

The LTI Plan applying for Tranches 4, 5 and 6 is limited to 18 participants in executive and senior management roles who are considered by the Board to be in roles that have the opportunity to significantly influence long-term shareholder value.

Based on the economic environment and the emphasis on constraining costs, no Tranche 4 performance rights were issued under the LTI Plan during the 2013 financial year.

The following vesting profile applies to Tranche 5 and will apply to any performance rights that may be issued under Tranche 6:

Tranche	Performance measurement period	Vesting date	TSR ranking achieved	% Vested
5	1 July 2013 to 30 June 2016	August 2016*	n/a	n/a
6	1 July 2014 to 30 June 2017	August 2017*	n/a	n/a

*ACTUAL VESTING DATE WILL BE THE DATE THE FINANCIAL RESULTS ARE RELEASED TO THE MARKET.

The number of performance rights issued to an eligible participant will be calculated as follows:

Number of performance rights = (% of base salary) x Issue Price

The % of base salary is dependent upon the participants' role and responsibilities and varies between 35% to 125%. The Issue Price is calculated as the volume weighted average price ("VWAP") of Sedgman shares for the period 1 June until 31 July at the commencement of the performance period.

The performance rights are issued to executive directors and employees for no consideration and are subject to the same performance vesting conditions as applied to Tranches 1, 2 and 3 (as noted under "Performance rights – Tranches 1, 2 and 3" above).

Directors' report (continued)

14. Remuneration report - audited (continued)
14.7. Long Term Incentive ("LTI") Plan (continued)
14.7.2. Performance rights – Tranches 4, 5 and 6 (continued)

For performance rights to be granted under Tranches 5 and 6 the peer group includes the following companies:

NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Worley Parsons Limited; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; Coffey International Limited; Decmil Group Limited; GR Engineering Services Limited; Calibre Group Holdings Limited; MACA Limited; UGL Limited and Southern Cross Electrical Engineering Limited.

The Board have also nominated an additional five suitable replacement companies ("the reserve group"). Where a company in the peer group is delisted, merges or ceases to be suitable for comparative purposes, it will, subject to the Board's discretion, be replaced by a company from the reserve group. The peer group and reserve group may be varied from time to time by the Board in its absolute discretion. During the year Clough Limited and Forge Group Limited were delisted and replaced with UGL Limited and Southern Cross Electrical Engineering Limited respectively. In addition, one of the reserve group companies, Norfolk Group Limited, was taken over by RCR Tomlinson Ltd. The remaining reserve group comprises:

VDM Group Limited and Resource Development Group Limited.

The percentage of performance rights in each respective tranche that will vest and become exercisable will depend upon the Company's TSR performance relative to the companies in the peer group (as determined by the Board) as set out in the table below.

Sedgman TSR ranking (at end of performance measurement period)	Percentage of performance rights in relevant tranche that vest
1-5	100%
6	90%
7	80%
8	70%
9	60%
10	50%
11-20	0%

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholders wealth, the Board has regard to the indices outlined below, in respect of the current financial year and the previous four financial years.

	2014	2013	2012
Net (loss)/profit attributable to owners of Sedgman Limited ($)	**(7,693,435)**	9,428,093	37,848,123
Basic EPS (cents)	**(3.4)**	4.3	17.8
Dividends paid ($)	**8,871,859**	20,537,060	17,962,316
Dividends paid per share (cents)	**4.0**	9.5	8.5
Share price at year end ($)	**0.50**	0.53	1.39
Change in share price ($)	**(0.03)**	(0.86)	(0.46)

	2011	2010
Net (loss)/profit attributable to owners of Sedgman Limited ($)	26,029,713	24,987,061
Basic EPS (cents)	12.5	12.3
Dividends paid ($)	13,449,474	12,314,262
Dividends paid per share (cents)	6.5	6.0
Share price at year end ($)	1.85	1.34
Change in share price ($)	0.51	0.37

14.8. Employee Share Plan

The Sedgman Share Plan was introduced in 2011 and provided for eligible employees to receive $1,000 worth of Sedgman shares. While an initial issue of shares was undertaken during the financial year ended 30 June 2011 this scheme did not operate for the 2012, 2013 and 2014 financial years.

14.9. Employment agreements

Sedgman has entered into employment agreements with key executives, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. Where necessary the agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions. In the event of termination for any reason, the Company will pay any accrued and untaken annual leave and, subject to the relevant legislation, any accrued and untaken long service leave owing to the executive.

Directors' report (continued)

14. Remuneration report - audited (continued)
14.9. Employment agreements (continued)

Specific terms and conditions of the employment agreements of key management personnel at the end of the financial year are summarised in the table below:

Name	Position	Term of agreement	Notice period (by either party)
Peter Watson(i)	Chief Executive Officer / Managing Director	n/a	6 months
Ian Poole	Chief Financial Officer	n/a	3 months
Michael Carretta	Asset Management Services Director	n/a	3 months
Alan Ainsworth	Infrastructure Director / Regional Director	n/a	3 months
Ken Boulton	Executive General Manager – Australia Operations	n/a	2 months
Simon Stockwell	Regional Director	n/a	2 months

(i) PRIOR TO BECOMING THE CHIEF EXECUTIVE OFFICER / MANAGING DIRECTOR IN JUNE 2014, PETER WATSON HELD THE ROLE OF REGIONAL DIRECTOR. DURING THIS TIME THERE WAS NO TERM OF AGREEMENT AND THE NOTICE PERIOD WAS THREE MONTHS.

The executive service contract with Mr Jukes ceased following his resignation on 27 June 2014.

The Company appointed Mr Peter Watson to the positions of Chief Executive Officer and Managing Director on 1 June 2014 and 26 June 2014, respectively, on an ongoing basis. The contract can be terminated by the Company immediately in certain circumstances including serious misconduct, gross neglect of duty, incompetence or engaging in conduct that causes or may cause imminent and serious risk to the health and safety of a person or the reputation, viability or profitability of the Company.

Mr Watson's contract may also be terminated by either party upon giving 6 months' notice, or by the Company on 3 months' notice where due to illness or incapacity, Mr Watson is unable to perform his duties, or is absent, for 3 calendar months. In the event of termination for any reason, the Company will pay any accrued and untaken annual leave and, subject to the relevant legislation, any accrued and untaken long service leave owing to Mr Watson.

14.10. Non-Executive Directors fees

Non-executive directors may be paid, as remuneration for their services, a sum determined from time to time by Sedgman's shareholders in a general meeting, with that sum to be divided amongst the non-executive directors in such a manner and proportion as they agree.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

The non-executive directors' remuneration is inclusive of committee fees.

The maximum aggregate amount which has been approved by Sedgman's shareholders for payment to the non-executive directors is $650,000 per annum.

Non-executive directors receive their remuneration as a combination of cash, superannuation and Sedgman Limited shares under the non-executive director's on-market share purchase scheme. No element of the non-executive director's remuneration is "at risk" and as such they do not receive short term incentives and are not entitled to participate in the Company's long term equity based incentive schemes.

Directors' report (continued)

14. Remuneration report - audited (continued)

14.11. Details of remuneration

14.11.1. Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel of the Group are set out below.

	Short-term			Long term benefits	Post-employment	Share based payments					
						Equity-settled		Cash-settled			
2014	Cash salary & fees $	(i) STI bonus $	Non-monetary benefits $	Other long term benefits $	(ii) Superannuation benefits $	Shares $	(iii) Performance rights $	(iii) Performance rights $	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Non-executive Directors											
Russell Kempnich	107,725	—	7,670	—	11,075	11,999	—	—	138,469	—	—
Donald Argent	75,408	—	7,670	—	7,752	8,399	—	—	99,229	—	—
Robert McDonald	55,811	—	7,670	—	7,752	27,997	—	—	99,230	—	—
Roger Short	67,008	—	7,670	—	7,752	16,799	—	—	99,229	—	—
Bruce Munro	6,284	—	651	—	646	—	—	—	7,581	—	—
Peter Richards	41,808	—	7,670	—	7,752	41,999	—	—	99,229	—	—
Antony Jacobs	56,009	—	5,674	—	5,764	4,200	—	—	71,647	—	—
Executive Directors											
Peter Watson	440,223	—	7,670	—	25,000	—	106,534	—	579,427	18.39%	18.39%
Nicholas Jukes[iv,v]	595,439	—	7,607	—	25,000	—	638,386	—	1,266,432	50.41%	50.41%
Other key management personnel											
Ian Poole	350,901	—	7,670	—	25,000	—	128,371	—	511,942	25.08%	25.08%
Michael Carretta	379,225	—	7,670	22,923	25,000	—	60,507	—	495,325	12.12%	12.12%
Alan Ainsworth	351,515	—	7,670	—	32,515	—	60,507	—	452,207	13.38%	13.38%
Ken Boulton	299,896	—	7,670	—	27,740	—	37,665	—	372,971	10.10%	10.10%
Simon Stockwell	321,500	—	7,670	—	25,000	—	72,495	—	426,665	16.99%	16.99%
Sten Soderstrom[vi]	138,621	—	252	—	9,267	—	(96,930)	—	51,210	(189.28%)	(189.28%)
Simon Mordecai-Jones	41,190	—	2,110	—	—	—	—	—	43,300	—	—
Javier Freire	50,184	—	1,725	—	869	—	—	—	52,778	—	—
Thomas Dockray	80,107	5,135	20,481	—	—	—	—	—	105,723	4.86%	—
Totals	**3,458,854**	**5,135**	**122,870**	**22,923**	**243,884**	**111,393**	**1,007,535**	—	**4,972,594**		

(i) THE BONUS FIGURE DISCLOSED FOR KEY MANAGEMENT PERSONNEL RELATES TO BONUSES ACCRUED FOR FINANCIAL YEAR (FY) 2014. DETAILS OF THE VESTING PROFILE ARE SHOWN BELOW.

(ii) SUPERANNUATION BENEFITS INCLUDE ALL AMOUNTS PAID ON BEHALF OF EMPLOYEES WITHIN THE 2014 FINANCIAL YEAR.

(iii) THE FAIR VALUE OF PERFORMANCE RIGHTS (EQUITY AND CASH-SETTLED) IS CALCULATED AT THE DATE OF GRANT USING THE MONTE CARLO PRICING MODEL AND ALLOCATED TO EACH REPORTING PERIOD EVENLY OVER THE PERIOD FROM GRANT DATE TO VESTING DATE. THE VALUE DISCLOSED IS THE PORTION OF THE GRANT DATE FAIR VALUE OF THE PERFORMANCE RIGHTS RECOGNISED IN THIS REPORTING PERIOD. IN ADDITION, FOR CASH-SETTLED PERFORMANCE RIGHTS THE FAIR VALUE IS REMEASURED AT EACH REPORTING DATE UP TO AND INCLUDING THE VESTING DATE, WITH CHANGES IN FAIR VALUE INCLUDED IN THE INDIVIDUAL'S REMUNERATION. IN VALUING THE PERFORMANCE RIGHTS, MARKET CONDITIONS HAVE BEEN TAKEN INTO ACCOUNT. REMUNERATION IN THE FORM OF PERFORMANCE RIGHTS INCLUDES NEGATIVE AMOUNTS FOR PERFORMANCE RIGHTS FORFEITED DURING THE YEAR.

(iv) INCLUDED IN NICHOLAS JUKES' CASH SALARY AND FEES AND SUPERANNUATION BENEFITS IS A TERMINATION PAYMENT OF $15,537.

(v) NICHOLAS JUKES' CEASED BEING KMP ON 26 JUNE 2014. FOLLOWING THIS HE FORMALLY RESIGNED FROM SEDGMAN ON 27 JUNE 2014 WHICH TRIGGERED A REVERSAL OF PRIOR YEAR EQUITY-SETTLED PERFORMANCE RIGHTS OF $837,721 AND THE $638,386 ACCRUED WITHIN THE 2014 FINANCIAL YEAR.

(vi) INCLUDED IN STEN SODERSTROM'S CASH SALARY AND FEES AND SUPERANNUATION BENEFITS IS A TERMINATION PAYMENT OF $114,427.

Directors' report (continued)

14. Remuneration report - audited (continued)
14.11. Details of remuneration (continued)
14.11.1. Amounts of remuneration (continued)

	Short-term incentive bonus(i)	
	% vested in year	% forfeited in year(ii)
Directors		
Peter Watson	0%	100%
Nicholas Jukes	0%	100%
Executives		
Ian Poole	0%	100%
Michael Carretta	0%	100%
Alan Ainsworth	0%	100%
Ken Boulton	0%	100%
Simon Stockwell	0%	100%
Sten Soderstrom	0%	100%
Simon Mordecai-Jones	0%	100%
Javier Freire	0%	100%
Thomas Dockray(iii)	0%	100%

(i) NET PROFIT AFTER TAX IS THE MAIN FINANCIAL PERFORMANCE TARGET WHEN SETTING SHORT-TERM INCENTIVES.
(ii) THE AMOUNTS FORFEITED ARE DUE TO THE PERFORMANCE OF SERVICE CRITERIA NOT BEING MET IN RELATION TO THE CURRENT FINANCIAL YEAR.
(iii) THOMAS DOCKRAY RECEIVED A PRO-RATED BONUS DURING THE YEAR IN RELATION TO CHINA KEY PERFORMANCE MEASURES ACHIEVED. THIS WAS OUTSIDE OF THE GROUP'S FORMAL SHORT-TERM INCENTIVE SCHEME.

	Short-term			Long term benefits	Post-employment	Share based payments					
						Equity-settled		Cash settled			
2013	Cash salary & fees $	(i) STI bonus $	Non-monetary benefits $	Other long term benefits $	(ii) Superannuation benefits $	Shares $	(iii) Performance rights $	(iii) Performance rights $	Total $	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
Non-executive Directors											
Russell Kempnich	108,000	—	8,153	—	10,800	11,999	—	—	138,952	—	—
Donald Argent	42,000	—	8,153	—	7,560	42,000	—	—	99,713	—	—
Robert McDonald	56,003	—	8,153	—	7,560	27,997	—	—	99,713	—	—
Roger Short	67,200	—	8,153	—	7,428	16,800	—	—	99,581	—	—
Bruce Munro	75,600	—	8,153	—	6,924	8,400	—	—	99,077	—	—
Peter Richards	42,000	—	8,153	—	7,560	42,000	—	—	99,713	—	—
Executive Directors											
Nicholas Jukes(iv)	634,000	—	8,153	—	20,000	(592,000)	1,484,326	—	1,554,479	95.49%	95.49%
Other key management personnel											
Ian Poole	365,030	—	8,153	—	16,470	—	223,066	—	612,719	36.41%	36.41%
Peter Watson	421,900	—	8,153	—	25,000	—	147,475	—	602,528	24.48%	24.48%
Michael Carretta	370,000	—	8,153	6,158	33,300	—	44,678	—	462,289	9.66%	9.66%
Alan Ainsworth	370,000	—	8,153	—	33,300	—	44,678	—	456,131	9.79%	9.79%
Ken Boulton	185,833	—	5,383	—	16,725	—	11,806	—	219,747	5.37%	5.37%
Simon Stockwell	218,303	—	5,383	—	10,598	—	71,196	—	305,480	23.31%	23.31%
Sten Soderstrom	241,000	—	5,383	—	13,333	—	49,697	—	309,413	16.06%	16.06%
Simon Mordecai-Jones	234,786	—	13,483	—	—	—	—	(30,915)	217,354	(14.22%)	(14.22%)
Javier Freire	281,492	—	10,517	—	4,741	—	—	(82,442)	214,308	(38.47%)	(38.47%)
Thomas Dockray	324,557	3,404	152,235	—	—	—	—	—	480,196	0.71%	—
Totals	**4,037,704**	**3,404**	**282,067**	**6,158**	**221,299**	**(442,804)**	**2,076,922**	**(113,357)**	**6,071,393**		

Directors' report (continued)

14. Remuneration report - audited (continued)
14.11. Details of remuneration (continued)
14.11.1. Amounts of remuneration (continued)

(i) THE BONUS FIGURE DISCLOSED FOR KEY MANAGEMENT PERSONNEL RELATES TO BONUSES ACCRUED FOR FINANCIAL YEAR (FY) 2013.

(ii) SUPERANNUATION BENEFITS INCLUDE ALL AMOUNTS PAID ON BEHALF OF EMPLOYEES WITHIN THE 2013 FINANCIAL YEAR.

(iii) THE FAIR VALUE OF PERFORMANCE RIGHTS (EQUITY AND CASH-SETTLED) IS CALCULATED AT THE DATE OF GRANT USING THE MONTE CARLO PRICING MODEL AND ALLOCATED TO EACH REPORTING PERIOD EVENLY OVER THE PERIOD FROM GRANT DATE TO VESTING DATE. THE VALUE DISCLOSED IS THE PORTION OF THE GRANT DATE FAIR VALUE OF THE PERFORMANCE RIGHTS RECOGNISED IN THIS REPORTING PERIOD. IN ADDITION, FOR CASH-SETTLED PERFORMANCE RIGHTS THE FAIR VALUE IS REMEASURED AT EACH REPORTING DATE UP TO AND INCLUDING THE VESTING DATE, WITH CHANGES IN FAIR VALUE INCLUDED IN THE INDIVIDUAL'S REMUNERATION. IN VALUING THE PERFORMANCE RIGHTS, MARKET CONDITIONS HAVE BEEN TAKEN INTO ACCOUNT. REMUNERATION IN THE FORM OF PERFORMANCE RIGHTS INCLUDES NEGATIVE AMOUNTS FOR PERFORMANCE RIGHTS FORFEITED DURING THE YEAR.

(iv) AT THE 2011 ANNUAL GENERAL MEETING HELD 28 NOVEMBER 2011, SHAREHOLDER APPROVAL WAS RECEIVED FOR MR JUKES' REMUNERATION CONTRACT WHICH INCLUDED EQUITY-SETTLED PERFORMANCE RIGHTS AND THE ISSUE OF 500,000 SHARES AS A SIGN ON ENTITLEMENT. THE SHARES IN RELATION TO THE SIGN ON ENTITLEMENT WERE ISSUED 28 FEBRUARY 2012, OUTSIDE THE ONE MONTH PERIOD CONTEMPLATED BY THAT SHAREHOLDER APPROVAL. FOLLOWING DISCUSSION WITH THE ASX, A LOCK WAS APPLIED TO THE SHARES UNTIL THE 2012 ANNUAL GENERAL MEETING, AT WHICH TIME SHAREHOLDER APPROVAL WAS RE-SOUGHT AND GRANTED AND THE SHARES WERE RELEASED TO MR JUKES. THE VALUE OF THE SHARES WAS ADJUSTED TO REFLECT THE CLOSING SHARE PRICE ON 28 NOVEMBER 2012, BEING THE DATE OF THE 2012 ANNUAL GENERAL MEETING.

14.11.2. Details of performance rights affecting current and future remuneration

Details of vesting profiles of equity-settled performance rights held by each key management personnel of the Group are set out below.

	Number	Grant date	Fair value per right at grant date	% Vested In Year	% Forfeited In Year	Vesting date(iii)
Directors						
Peter Watson	250,000	28 July 2010	$1.02	0%	100%	21 August 2013
	250,000	28 July 2010	$0.95	—	—	28 August 2014
	490,000	21 November 2013(iv)	$0.42	—	—	August 2016
Nicholas Jukes	1,000,000	28 November 2011	$1.53	0%	100%	21 August 2013
	1,000,000	28 November 2011	$1.36	—	—(i)	28 August 2014
	1,280,000	21 November 2013(iv)	$0.42	—	—(i)	August 2016
Key management personnel						
Ian Poole	250,000	24 November 2010	$1.39	0%	100%	21 August 2013
	250,000	24 November 2010	$1.29	—	—	28 August 2014
	418,000	21 November 2013(iv)	$0.42	—	—	August 2016
Michael Carretta	100,000	22 February 2010	$0.86	0%	100%	21 August 2013
	100,000	22 February 2010	$0.83	—	—	28 August 2014
	442,000	21 November 2013(iv)	$0.42	—	—	August 2016
Alan Ainsworth	100,000	22 February 2010	$0.86	0%	100%	21 August 2013
	100,000	22 February 2010	$0.83	—	—	28 August 2014
	442,000	21 November 2013(iv)	$0.42	—	—	August 2016
Ken Boulton	50,000	22 February 2010	$0.86	0%	100%	21 August 2013
	50,000	22 February 2010	$0.83	—	—	28 August 2014
	323,000	21 November 2013(iv)	$0.42	—	—	August 2016
Simon Stockwell	100,000	31 October 2011	$1.44	0%	100%	21 August 2013
	100,000	31 October 2011	$1.28	—	—	28 August 2014
	376,000	21 November 2013(iv)	$0.42	—	—	August 2016
Sten Soderstrom(ii)	50,000	16 March 2012	$1.57	0%	100%	21 August 2013
	50,000	16 March 2012	$1.51	—	100%	28 August 2014

(i) UPON NICHOLAS JUKES' RESIGNATION ON 27 JUNE 2014 HIS OUTSTANDING PERFORMANCE RIGHTS WERE FORFEITED PER THE TERMS OF LTI PLAN.

(ii) PER SECTION 14.4 OF THE DIRECTORS' REPORT STEN SODERSTROM CEASED BEING KMP ON 12 JULY 2013 AND HIS PERFORMANCE RIGHTS WERE FORFEITED.

(iii) ALL PERFORMANCE RIGHTS EXPIRE ON THE VESTING DATE OR UPON TERMINATION OF THE INDIVIDUAL'S EMPLOYMENT. UPON VESTING ALL PERFORMANCE RIGHTS HAVE A $0.00 EXERCISE PRICE AND ARE EXERCISED. IN ADDITION TO A CONTINUING EMPLOYMENT SERVICE CONDITION, VESTING IS CONDITIONAL ON THE GROUP ACHIEVING CERTAIN PERFORMANCE HURDLES. DETAILS OF THE PERFORMANCE CRITERIA ARE INCLUDED IN SECTION 14.7. NO RIGHTS THAT HAVE BEEN GRANTED AS COMPENSATION WERE EXERCISED OR EXERCISABLE DURING THE FINANCIAL YEAR 2014.

(iv) RIGHTS GRANTED ON 21 NOVEMBER 2013 WERE GRANTED AS COMPENSATION DURING THE FINANCIAL YEAR 2014.

Directors' report (continued)

14. Remuneration report - audited (continued)
14.11. Details of remuneration (continued)
14.11.2. Details of performance rights affecting current and future remuneration (continued)

Details of cash-settled performance rights granted as remuneration to each key management personnel of the Group are set out below.

	Number	Modification / Grant date	Fair value per right at modification / grant date	% Vested In Year	% Forfeited In Year	Vesting date(ii)
Key management personnel						
Simon	100,000	1 December 2011	$0.53	0%	100%	21 August 2013
Mordecai-Jones(i)	100,000	1 December 2011	$0.54	—	—	28 August 2014
Javier Freire(i)	100,000	22 February 2010	$0.53	0%	100%	21 August 2013
	100,000	22 February 2010	$0.54	—	—	28 August 2014
	50,000	27 October 2011	$0.53	0%	100%	21 August 2013
	50,000	27 October 2011	$0.54	—	—	28 August 2014
Thomas Dockray(i)	—	—	—	—	—	—

(i) PER SECTION 14.4 OF THE DIRECTORS' REPORT SIMON MORDECAI-JONES, JAVIER FREIRE AND THOMAS DOCKRAY WERE NO LONGER KMP AT 30 JUNE 2014.

(ii) ALL PERFORMANCE RIGHTS EXPIRE ON THE VESTING DATE OR UPON TERMINATION OF THE INDIVIDUAL'S EMPLOYMENT. UPON VESTING ALL PERFORMANCE RIGHTS HAVE A $0.00 EXERCISE PRICE AND ARE EXERCISED. IN ADDITION TO A CONTINUING EMPLOYMENT SERVICE CONDITION, VESTING IS CONDITIONAL ON THE GROUP ACHIEVING CERTAIN PERFORMANCE HURDLES. DETAILS OF THE PERFORMANCE CRITERIA ARE INCLUDED IN SECTION 14.7. NO RIGHTS THAT HAVE BEEN GRANTED AS COMPENSATION WERE EXERCISED OR EXERCISABLE DURING THE FINANCIAL YEAR 2014.

The conditions of the equity-settled performance rights previously granted to Simon Mordecai-Jones and Javier Freire were modified as at 30 June 2012 so that they can only be settled in cash. The market price of the Company shares as at this date was $1.39. All other conditions remain as per the governing Long Term Incentive Plan. At the date of settlement they will receive an amount of cash equal to the value of the shares they would have been entitled to assuming all terms and conditions are met.

The fair value of equity-settled and cash-settled performance rights granted was determined using a Monte Carlo simulation model.

14.11.3. Movements in performance rights

The movement during the reporting period, by value, of performance rights over ordinary shares in the Company held by each key management personnel of the Group is detailed below:

	Value of performance rights		
Name	**Granted in year(i) $**	**Vested in year(ii) $**	**Forfeited in year(iii) $**
Directors			
Peter Watson	208,152	—	165,000
Nicholas Jukes	543,744	—	660,000
Key management personnel			
Ian Poole	177,566	—	165,000
Michael Carretta	187,762	—	66,000
Alan Ainsworth	187,762	—	66,000
Ken Boulton	137,210	—	33,000
Simon Stockwell	159,725	—	66,000
Sten Soderstrom	—	—	68,000
Simon Mordecai-Jones	—	—	66,000
Javier Freire	—	—	99,000
Thomas Dockray	—	—	—

(i) THE VALUE OF PERFORMANCE RIGHTS GRANTED IN THE YEAR IS THEIR FAIR VALUE CALCULATED AT GRANT DATE USING THE MONTE CARLO SIMULATION-PRICING MODEL FOR RIGHTS WITH A TSR PERFORMANCE CONDITION. THE TOTAL VALUE OF THE PERFORMANCE RIGHTS GRANTED IS INCLUDED IN THE TABLE ABOVE. THIS AMOUNT IS ALLOCATED TO REMUNERATION OVER THE VESTING PERIOD IN ACCORDANCE WITH AUSTRALIAN ACCOUNTING STANDARDS.

(ii) THE VALUE OF PERFORMANCE RIGHTS CONVERTED TO SHARES OR CASH DURING THE YEAR IS CALCULATED AS THE MARKET PRICE OF SHARES OF THE COMPANY AS AT CLOSE OF TRADING ON THE DATE THE PERFORMANCE RIGHTS VESTED.

(iii) THE VALUE OF THE PERFORMANCE RIGHTS FORFEITED DURING THE YEAR REPRESENTS THE BENEFIT FORGONE AND IS CALCULATED AT THE DATE THE PERFORMANCE RIGHT VESTED ASSUMING THE PERFORMANCE CRITERIA HAD BEEN ACHIEVED.

Directors' report (continued)

14. Remuneration report - audited (continued)
14.11. Details of remuneration (continued)
14.11.4. Equity instruments

Equity performance rights holdings

The number of equity performance rights over the ordinary shares in the Company held during the financial year by each Director of Sedgman Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2014 Name	Balance at the start of the year (i)	Granted as compensation	Exercised	Expired / Forfeited	Modified to cash-settled	Ceased as KMP	Balance at end of the year	Vested & exercised during the year	Vested & exercisable at year end
Directors of Sedgman Limited									
Russell Kempnich	–	–	–	–	–	–	–	–	–
Peter Watson	500,000	490,000	–	(250,000)	–	–	740,000	–	–
Donald Argent	–	–	–	–	–	–	–	–	–
Robert McDonald	–	–	–	–	–	–	–	–	–
Roger Short	–	–	–	–	–	–	–	–	–
Bruce Munro(ii)	–	–	–	–	–	–	n/a	–	–
Peter Richards	–	–	–	–	–	–	–	–	–
Nicholas Jukes(iii)	2,000,000	1,280,000	–	(1,000,000)	–	(2,280,000)	n/a	–	–
Antony Jacobs	–	–	–	–	–	–	–	–	–
Other key management personnel of the Group									
Ian Poole	500,000	418,000	–	(250,000)	–	–	668,000	–	–
Michael Carretta	200,000	442,000	–	(100,000)	–	–	542,000	–	–
Alan Ainsworth	200,000	442,000	–	(100,000)	–	–	542,000	–	–
Ken Boulton	100,000	323,000	–	(50,000)	–	–	373,000	–	–
Simon Stockwell	200,000	376,000	–	(100,000)	–	–	476,000	–	–
Sten Soderstrom(iv)	100,000	–	–	(100,000)	–	–	n/a	–	–

(i) BALANCE AT THE START OF THE YEAR RELATES TO 1 JULY OR THE DATE THAT AN EMPLOYEE BECAME A KEY MANAGEMENT PERSONNEL.
(ii) PER SECTION 14.4 OF THE DIRECTORS' REPORT BRUCE MUNRO CEASED BEING KMP ON 31 JULY 2013.
(iii) PER SECTION 14.4 OF THE DIRECTORS' REPORT NICHOLAS JUKES CEASED BEING KMP ON 26 JUNE 2014.
(iv) PER SECTION 14.4 OF THE DIRECTORS' REPORT STEN SODERSTROM CEASED BEING KMP ON 12 JULY 2013.

Cash-settled performance rights holdings

The number of cash-settled performance rights over the ordinary shares in the Company held during the financial year by each of the key management personnel of the Group are set out below.

2014 Name	Balance at the start of the year (i)	Granted as compensation	Exercised	Expired / Forfeited	Modified to cash-settled	Ceased as KMP	Balance at end of the year	Vested & exercised during the year	Vested and exercisable at year end
Key management personnel of the Group									
Simon Mordecai-Jones(ii)	200,000	–	–	(100,000)	–	(100,000)	n/a	–	–
Javier Freire(ii)	300,000	–	–	(150,000)	–	(150,000)	n/a	–	–
Thomas Dockray(ii)	–	–	–	–	–	–	n/a	–	–

(i) BALANCE AT THE START OF THE YEAR RELATES TO 1 JULY OR THE DATE THAT AN EMPLOYEE BECAME A KEY MANAGEMENT PERSONNEL.
(ii) PER SECTION 14.4 OF THE DIRECTORS' REPORT SIMON MORDECAI-JONES, JAVIER FREIRE AND THOMAS DOCKRAY CEASED BEING KMP ON 30 AUGUST 2013.

Directors' report (continued)

14. Remuneration report - audited (continued)
14.11. Details of remuneration (continued)
14.11.5. Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties is set out below.

2014 Name	Balance at the start of the year[i]	Granted as compensation	Received during the year on the exercise of performance rights	Purchases / (Disposals)	Ceased as KMP	Balance at the end of the year
Directors of Sedgman Limited						
Ordinary shares						
Russell Kempnich	16,460,822	19,620	—	—	—	16,840,442
Peter Watson	50,501	—	—	—	—	50,501
Donald Argent	284,439	13,734	—	—	—	298,173
Robert McDonald	576,951	45,777	—	41,392	—	664,120
Roger Short	219,529	27,468	—	9,542	—	256,539
Bruce Munro[ii]	20,076	—	—	—	(20,076)	n/a
Peter Richards	48,501	68,673	—	—	—	117,174
Antony Jacobs	—	7,743	—	—	—	7,743
Nicholas Jukes[iii]	860,000	—	—	—	(860,000)	n/a
Other key management personnel of the Group						
Ordinary shares						
Ian Poole	63,001	—	—	(62,500)	—	501
Michael Carretta	87,333	—	—	—	—	87,333
Alan Ainsworth	50,501	—	—	(25,000)	—	25,501
Ken Boulton	97,193	—	—	—	—	97,193
Simon Stockwell	501	—	—	—	—	501
Sten Soderstrom	—	—	—	—	—	—
Simon Mordecai-Jones[iv]	—	—	—	—	—	n/a
Javier Freire[iv]	—	—	—	—	—	n/a
Thomas Dockray[iv]	—	—	—	—	—	n/a

(I) BALANCE AT THE START OF THE YEAR RELATES TO 1 JULY OR THE DATE THAT AN EMPLOYEE BECAME A KEY MANAGEMENT PERSONNEL.
(II) PER SECTION 14.4 OF THE DIRECTORS' REPORT BRUCE MUNRO CEASED BEING KMP ON 31 JULY 2013.
(III) PER SECTION 14.4 OF THE DIRECTORS' REPORT NICHOLAS JUKES CEASED BEING KMP ON 26 JUNE 2014.
(IV) PER SECTION 14.4 OF THE DIRECTORS' REPORT SIMON MORDECAI-JONES, JAVIER FREIRE AND THOMAS DOCKRAY CEASED BEING KMP ON 30 AUGUST 2013.

14.11.6. Key management personnel transactions

During the year, a key management person had control over an entity that provided consulting services with respect to a dispute on a Projects contract. The terms and conditions of the transactions with the key management person and their related party were no more favourable 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.

15. Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the current Directors and all officers of its controlled entities 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 liability arises out of conduct involving a lack of good faith.

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Company.

Insurance premiums

The Company has insured its indemnification of liabilities in respect of Directors and officers of the Company and its controlled entities.

Directors' report (continued)

16. Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

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 Risk Management 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 have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the Group, KPMG, its related practices and non-related audit firms.

	2014 $
Services other than audit and review of financial statements:	
Other regulatory audit services	
Long service leave audit	25,805
Other assurance services	
Due diligence services and other assurance services	90,264
Other services	
Taxation services	405,111
Research and development allowance services	150,000
	671,180
Audit and review of financial statements	485,578
Total paid to KPMG	1,156,758

17. Auditor

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 49 and forms part of the directors' report for the financial year ended 30 June 2014.

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001.*

18. Rounding

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

This report is made in accordance with a resolution of Directors.

Russell James Kempnich
Chairman

Peter Richard Watson
Managing Director

Brisbane
27 August 2014

Lead auditor's independence declaration

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To: the Directors of Sedgman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Scott Guse
Partner

Brisbane
27 August 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG international"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated statement of profit or loss

For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000 *Restated
Continuing operations			
Revenue from services		**318,423**	466,641
Other income	6	**4,204**	7,056
		322,627	473,697
Expenditure			
Changes in construction work in progress		**28,033**	(34,178)
Raw materials and consumables used		**(196,983)**	(222,538)
Depreciation and amortisation expense	7	**(16,304)**	(20,071)
Employee expenses		**(95,645)**	(127,363)
Agency contract fees		**(5,837)**	(7,947)
Impairment of property, plant and equipment	7	**–**	(6,358)
Impairment of receivables	7	**(5,784)**	(7,601)
Other expenses		**(30,797)**	(31,423)
Finance costs	7	**(2,710)**	(2,795)
		(326,027)	(460,274)
Share of net profit/(losses) of investments accounted for using the equity method	36	**1,019**	(45)
(Loss)/profit before income tax		**(2,381)**	13,378
Income tax (expense)/benefit	8	**(5,312)**	(3,950)
(Loss)/profit for the year attributable to the owners of the Company		**(7,693)**	9,428

	Notes	Cents	Cents
Earnings per share – continuing operations:			
Basic earnings per share	39	**(3.4)**	4.3
Diluted earnings per share	39	**(3.4)**	4.3

*SEE NOTE 45 FOR DETAILS REGARDING THE RESTATEMENT AS A RESULT OF CHANGES IN ACCOUNTING POLICY.

THE ABOVE CONSOLIDATED STATEMENT OF PROFIT OR LOSS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	2014 $'000	2013 $'000 *Restated
(Loss)/profit	**(7,693)**	9,428
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Changes in fair value of financial assets (net of tax)	**43**	(420)
Items that are or may be reclassified to profit or loss		
Foreign operations – foreign currency translation differences	**(2,051)**	138
Other comprehensive income (net of tax)	**(2,008)**	(282)
Total comprehensive income attributable to the owners of the Company	**(9,701)**	9,146

*SEE NOTE 45 FOR DETAILS REGARDING THE RESTATEMENT AS A RESULT OF CHANGES IN ACCOUNTING POLICY.

THE ABOVE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated balance sheet

As at 30 June 2014

	Notes	2014 $'000	2013 $'000 *Restated	1 July 2012 $'000 *Restated
Assets				
Current assets				
Cash and cash equivalents	9	**97,789**	103,354	93,085
Trade and other receivables	10	**77,518**	91,772	170,384
Assets classified as held for sale	11	**1,483**	1,483	–
Current tax assets	12	**1,989**	4,158	–
Inventories	13	**2,587**	4,387	6,864
Total current assets		**181,366**	205,154	270,333
Non-current assets				
Trade and other receivables		**–**	–	741
Investments accounted for using the equity method	14	**2,587**	505	–
Financial assets at fair value through other comprehensive income	15	**1,026**	400	1,000
Financial assets at fair value through profit or loss	16	**808**	–	–
Property, plant and equipment	17	**24,023**	35,581	48,744
Deferred tax assets	18	**6,871**	6,477	9,151
Intangible assets	19	**39,276**	42,263	44,330
Total non-current assets		**74,591**	85,226	103,966
Total assets		**255,957**	290,380	374,299
Liabilities				
Current liabilities				
Trade and other payables	20	**54,962**	73,402	137,341
Interest bearing liabilities	21	**9,860**	5,750	1,653
Provisions	22	**10,829**	8,363	9,415
Current tax liabilities	23	**2,026**	744	15,885
Total current liabilities		**77,677**	88,259	164,294
Non-current liabilities				
Interest bearing liabilities	24	**11,453**	21,239	25,076
Provisions	26	**3,238**	2,585	1,417
Other		**226**	250	900
Total non-current liabilities		**14,917**	24,074	27,393
Total liabilities		**92,594**	112,333	191,687
Net assets		**163,363**	178,047	182,612
Equity				
Contributed equity	27	**116,212**	112,250	106,377
Reserves		**4,978**	7,059	6,388
Retained profits		**42,173**	58,738	69,847
Parent entity interest		**163,363**	178,047	182,612
Total equity attributable to equity holders of the Company		**163,363**	178,047	182,612

*SEE NOTE 45 FOR DETAILS REGARDING THE RESTATEMENT AS A RESULT OF CHANGES IN ACCOUNTING POLICY.

THE ABOVE CONSOLIDATED BALANCE SHEET SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Notes	Contributed equity $'000	Reserves: Foreign currency translation reserve $'000	Reserves: Equity compensation reserve $'000	Reserves: Financial assets revaluation reserve $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 July 2012 * Restated		106,377	(4,658)	11,046	–	69,847	182,612
Total comprehensive income^*							
(Loss)/profit		–	–	–	–	9,428	9,428
Total other comprehensive income							
Movement in fair value of financial assets		–	–	–	(420)	–	(420)
Foreign exchange translation differences		–	138	–	–	–	138
Total comprehensive income		–	138	–	(420)	9,428	9,146
Transactions with owners of the Company^*:							
Contributions of equity	27	5,873	–	–	–	–	5,873
Employee performance rights		–	–	953	–	–	953
Dividends provided for or paid	29	–	–	–	–	(20,537)	(20,537)
Total contributions by and distributions to owners		5,873	–	953	–	(20,537)	(13,711)
Balance at 30 June 2013 * Restated		112,250	(4,520)	11,999	(420)	58,738	178,047
Balance at 1 July 2013		112,250	(4,520)	11,999	(420)	58,738	178,047
Total comprehensive income^							
(Loss)/profit		–	–	–	–	(7,693)	(7,693)
Total other comprehensive income							
Movement in fair value of financial assets		–	–	–	43	–	43
Foreign exchange translation differences		–	(2,051)	–	–	–	(2,051)
Total comprehensive income		–	(2,051)	–	43	(7,693)	(9,701)
Transactions with owners of the Company^:							
Contributions of equity	27	3,962	–	–	–	–	3,962
Employee performance rights		–	–	(73)	–	–	(73)
Dividends provided for or paid	29	–	–	–	–	(8,872)	(8,872)
Total contributions by and distributions to owners		3,962	–	(73)	–	(8,872)	(4,983)
Balance at 30 June 2014		116,212	(6,571)	11,926	(377)	42,173	163,363

^AMOUNTS RECOGNISED ARE DISCLOSED NET OF INCOME TAX (WHERE APPLICABLE).

*SEE NOTE 45 FOR DETAILS REGARDING THE RESTATEMENT AS A RESULT OF CHANGES IN ACCOUNTING POLICY.

THE ABOVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000 *Restated
Cash flows from operating activities			
Cash receipts from customers		**357,681**	561,939
Cash payments to suppliers and employees		**(345,025)**	(506,467)
		12,656	55,472
Interest received		**2,525**	1,857
Financing costs paid		**(2,354)**	(2,204)
Income taxes refunded		**966**	522
Income taxes paid		**(3,015)**	(19,528)
Net cash from operating activities	38	**10,778**	36,119
Cash flows from investing activities			
Investment in joint venture		**(1,130)**	–
Acquisition of subsidiary, net of cash acquired		–	(2,626)
Acquisition of other investments		**(500)**	–
Payments for convertible notes		**(750)**	–
Acquisition of shares in associate	36(c)	–	(804)
Proceeds from sale of shares in associate	36(c)	–	254
Loan to associate	33(f)	–	(561)
Repayment of loan by associate	33(f)	–	561
Payments for property, plant and equipment		**(2,213)**	(5,258)
Proceeds from sale of property, plant and equipment		**342**	605
Acquisition of intangible asset	19	**(145)**	(615)
Net cash used in investing activities		**(4,396)**	(8,444)
Cash flows from financing activities			
Payment of financing transaction costs		–	(816)
Finance lease payments		**(1,532)**	(1,776)
Proceeds from borrowings		–	21,000
Repayment of borrowings		**(4,200)**	(22,183)
Dividends paid	29	**(4,910)**	(15,589)
Net cash used in financing activities		**(10,642)**	(19,364)
Net increase/(decrease) in cash and cash equivalents		**(4,260)**	8,311
Effect of exchange rate fluctuations on cash held		**(1,305)**	1,958
Cash and cash equivalents at 1 July		**103,354**	93,085
Cash and cash equivalents at 30 June	9	**97,789**	103,354

*SEE NOTE 45 FOR DETAILS REGARDING THE RESTATEMENT AS A RESULT OF CHANGES IN ACCOUNTING POLICY.

THE ABOVE CONSOLIDATED STATEMENT OF CASH FLOWS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES.

Notes to the consolidated financial statements

For the year ended 30 June 2014

Contents of the notes to the consolidated financial statements **Page**

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

1. Reporting entity

Sedgman Limited (the "Company") is domiciled in Australia. The Company's registered office is at Level 2, 2 Gardner Close, Milton QLD 4064, Australia. These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies").

The Group is a for-profit entity and primarily is involved in providing project and operational services to the resources industry (see note 5).

2. Basis of accounting

The consolidated financial statements are general purpose financial statements which have 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"). They were authorised for issue by the Board of Directors on 27 August 2014. Details of the Group's accounting policies, including changes during the year, are included in notes 45 and 46.

3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for claims and variations, the timing of profit recognition and the amount of profit recognised (refer notes 40 and 46(d)(ii)).
- Classification of joint arrangements (refer notes 36(b) and 45(b)).

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2015 is included in the following notes:

- Estimation of the economic life of property, plant and equipment (refer note 46(m)) and intangibles (refer note 46(n)), and the carrying amount of receivables (refer note 46(g)); and
- Testing of assets for impairment (refer notes 19, 46(g) and 46(i)).

Review of carrying values of certain items of plant and equipment

During the prior year, the Group completed a review of plant and equipment in the Operations business unit. As a result of this review, an impairment charge of $6.358 million (refer note 7) was recognised to write the carrying value of the equipment down to its estimated recoverable amount. Recoverable amount was determined based on an estimate of the fair value less costs to sell, which is determined with reference to an external valuation. This valuation took into account sales on comparable plant and equipment on an appropriate basis. This impairment loss was recognised within expenses in profit or loss. No adjustment was required to be made to the current year's carrying value of these assets.

Review of carrying values of receivables

As part of the Group's review of the recoverability of its trade and other receivables, an impairment charge of $5.784 million (2013: $7.601 million) was recognised during the year (refer note 7) within expenses in profit or loss.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes review of significant fair value measurements at reporting periods, including Level 3 fair values. The reviews include assessments of significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then evidence is obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit and Risk Management Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in notes 37 and 41.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

5. Operating segments

(a) Description of segments

The Group has the following two reportable segments, which are the Group's strategic business units. For each of the strategic business units, the CEO reviews internal management reports on a monthly basis.

Projects

Design, construction and commissioning of coal handling and preparation plants, minerals processing plants and other related equipment.

Operations

Operation and ownership of coal handling and preparation plants, and ore crushing and screening plants.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before income tax as included in the internal management reports that are reviewed by the Group's CEO. Segment profit/(loss) before income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

2014	**Projects $'000**	**Operations $'000**	**Consolidated $'000**
External revenue	183,598	134,825	318,423
Interest and finance charges	(1,216)	(1,494)	(2,710)
Depreciation and amortisation expense	(3,414)	(12,890)	(16,304)
Impairment of receivables	(5,689)	(95)	(5,784)
Contract terminations	–	–	–
Share of net profit/(loss) of investments accounted for using the equity method	1,019	–	1,019
Segment profit/(loss) before income tax	(13,926)	7,341	(6,585)
Capital expenditure	534	1,824	2,358

2013 Restated	**Projects $'000**	**Operations $'000**	**Consolidated $'000**
External revenue	276,960	189,681	466,641
Interest and finance charges	(1,254)	(1,541)	(2,795)
Depreciation and amortisation expense	(4,097)	(15,974)	(20,071)
Impairment of property, plant and equipment	–	(6,358)	(6,358)
Impairment of receivables	(7,601)	–	(7,601)
Contract terminations	–	1,750	1,750
Share of net profit/(loss) of investments accounted for using the equity method	(45)	–	(45)
Reportable segment profit/(loss) before income tax	4,768	3,304	8,072
Capital expenditure	2,029	7,149	9,178

	2014 $'000	2013 $'000 Restated
Total profit or loss for reportable segments	**(6,585)**	8,072
Other income (note 6)^	**4,204**	5,306
Total profit/(loss) before income tax	**(2,381)**	13,378

^ CONTRACT TERMINATIONS INCLUDED WITHIN NOTE 6 HAVE BEEN ALLOCATED TO THE OPERATIONS REPORTING SEGMENT.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

5. Operating segments (continued)

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of Group offices. Segment assets are based on the geographical location of the assets.

	Revenues 2014 $'000	**Non-current assets 2014 $'000**	Revenues 2013 $'000 Restated	Non-current assets 2013 $'000 Restated
Australia	**308,772**	**65,222**	434,952	75,279
Barbados	**212**	—	—	—
Botswana	**2**	—	370	—
Canada	**2,248**	**16**	408	—
Chile	**10,039**	**95**	5,460	392
China	**1,210**	**436**	186	1,997
Colombia	**42**	—	—	—
Mongolia	**1,755**	**12**	8,246	1
Mozambique	**(6,715)**	—	13,447	3
South Africa	**858**	**105**	3,572	677
	318,423	**65,886**	466,641	78,349

(c) Major customers

Revenues from three (2013: four) customers of the Group represents $133.436 million (2013: $235.883 million) of the Group's total revenues.

6. Other income

	2014 $'000	2013 $'000 Restated
Interest income	**2,836**	1,857
Sundry income	**736**	592
Contract terminations*	—	1,750
Impact of financial assets through profit or loss – net change in fair value	**23**	—
Net gain on disposal of property, plant and equipment	—	354
Foreign exchange gains	**609**	2,503
	4,204	7,056

*CONTRACT TERMINATIONS REPRESENTS AMOUNTS RECEIVED BY THE GROUP UPON THE TERMINATION OF THE BLAIR ATHOL OPERATIONS CONTRACT IN 2013.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

7. Expenses

	2014 $'000	2013 $'000 Restated
Depreciation and amortisation		
Property, plant and equipment	**11,056**	12,155
Leased plant and equipment	**2,116**	2,321
Customer contracts	**600**	3,061
Brands	**547**	729
Software	**1,985**	1,805
Total depreciation and amortisation	**16,304**	20,071
Impairment of property, plant and equipment (note 4(b))	**–**	6,358
Net loss on disposal of property, plant and equipment	**175**	–
Redundancy costs	**1,656**	2,994
Net impairment of receivables (notes 4(b); 46(g); 46(i))	**5,784**	7,601
Finance costs		
Interest and finance charges paid/payable	**2,710**	2,770
Interest associated with increase in provisions due to the passage of time	**–**	25
Finance costs expensed	**2,710**	2,795
Interest income (note 6)	**(2,836)**	(1,857)
Impact of financial assets through profit or loss – net change in fair value (note 6)	**(23)**	–
Net finance costs	**(149)**	938

Contributions to defined contribution superannuation funds by the Group for the year ended 30 June 2014 amounted to $6.233 million (2013: $8.287 million).

8. Income tax expense

(a) Income tax expense

	2014 $'000	2013 $'000
Current tax	**5,421**	4,940
Current tax – prior year adjustment	**304**	(3,844)
Deferred tax	**(2,075)**	(1,060)
Deferred tax – prior year adjustment	**1,662**	3,914
	5,312	3,950

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

8. Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2014 $'000	2013 $'000
Profit/(loss) from continuing operations before income tax expense	**(2,381)**	13,378
Tax at the Australian tax rate of 30% (2013: 30%)	**(714)**	4,013
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable deductions	**971**	1,494
Non-deductible consulting fees	**1**	264
Tax exempt income	**–**	(1)
Difference in overseas tax rates	**251**	(582)
Under (over) provision in prior years[(i)]	**1,966**	70
Foreign tax credits	**(11)**	(1,190)
Tax incentives	**(600)**	(510)
Tax losses for which no deferred tax asset was recognised	**–**	697
Tax losses written off	**3,121**	–
Foreign tax refunds derecognised	**255**	–
Sundry	**72**	(305)
Total income tax (benefit)/expense	**5,312**	3,950

(i) INCLUDED IN THE OVER/(UNDER) PROVISION AMOUNT IS $0.552 MILLION (2013: NIL) WHICH RELATES TO NON-DEDUCTIBLE FOREIGN TAX CREDITS AND $0.632 MILLION (2013: NIL) WHICH RELATES TO THE DERECOGNITION OF A DEFERRED TAX ASSET FROM TAX BENEFITS THAT WILL NOT BE REALISED.

(c) Tax expense/(income) relating to items of other comprehensive income

	2014 $'000	2013 $'000
(Gains)/losses on revaluation of financial assets	**19**	(180)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

9. Current assets – Cash and cash equivalents

	2014 $'000	2013 $'000 Restated
Cash at bank and in hand	**25,478**	44,477
Deposits at call	**17,311**	36,838
Short term deposits	**55,000**	22,039
Cash and cash equivalents in the statement of cash flows	**97,789**	103,354

Foreign currency controls exist in certain jurisdictions in which the Group operates, namely China and Mozambique. As a result, cash reserves can build up from time to time in those jurisdictions until the necessary approval processes are completed to enable repatriation of funds to Australia. At 30 June 2014 cash reserves in Mozambique were $6.762 million (2013: $17.381 million) and in China were $0.902 million (2013: $2.689 million).

10. Current assets – Trade and other receivables

	2014 $'000	2013 $'000 Restated
Trade receivables	**71,608**	79,143
Construction work in progress (note 40)	**6,663**	10,135
Other receivables and prepayments	**14,331**	14,835
Provision for impairment of receivables (note 37(b))	**(15,084)**	(12,341)
	77,518	91,772

Trade and other receivables are non-interest bearing and are expected to be received within 12 months. The Group's exposure to credit risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 37(b).

At 30 June 2014 other receivables and prepayments include retentions of $5.064 million (2013: $5.304 million), with provisions raised for the full amount.

11. Current assets – Assets classified as held for sale

	2014 $'000	2013 $'000
Property, plant and equipment	**1,153**	1,153
Inventories	**330**	330
	1,483	1,483

In the financial year ended 30 June 2013 Sedgman ceased operating at the Blair Athol site. The Group has plans in place to sell the plant, equipment and inventory previously used at this site within the Operations segment. These sales are expected to occur before 30 June 2015. No impairment losses were recognised in reclassifying the assets as held for sale.

Notes to the consolidated financial statements (continued)
For the year ended 30 June 2014

12. Current assets – Current tax assets

	2014 $'000	2013 $'000
Income tax refunds	**1,989**	4,158

13. Current assets – Inventories

	2014 $'000	2013 $'000
Spare parts and consumables	**2,587**	4,387

14. Non-current assets – Investments accounted for using the equity method

	2014 $'000	2013 $'000 Restated
Interest in joint venture (note 36(b))	**2,060**	–
Interests in associates (note 36(c))	**527**	505
	2,587	505

15. Non-current assets – Financial assets at fair value through other comprehensive income

	2014 $'000	2013 $'000
Listed equity securities	**626**	–
Unlisted equity securities	**400**	400
	1,026	400

16. Non-current assets – Financial assets at fair value through profit or loss

	2014 $'000	2013 $'000
Listed equity securities	**35**	–
Convertible notes	**773**	–
	808	–

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

17. Non-current assets – Property, plant and equipment

	Land & Buildings $'000	Plant & Equipment $'000	Motor vehicles $'000	Structural improvements $'000	Leased plant & equipment $'000	Total $'000
At 1 July 2012 Restated						
Cost	3,978	99,825	2,930	3,988	10,520	121,241
Accumulated depreciation	(164)	(62,682)	(1,937)	(1,716)	(5,998)	(72,497)
Net book amount	3,814	37,143	993	2,272	4,522	48,744
Year ended 30 June 2013 Restated						
Opening net book amount	3,814	37,143	993	2,272	4,522	48,744
Transfers within property, plant and equipment	–	(1,153)	49	2	1,102	–
Acquisitions through business combinations	–	275	6	151	–	432
Reclassification to assets held for sale	–	(1,153)	–	–	–	(1,153)
Foreign exchange impact	–	91	(10)	–	–	81
Additions	–	4,211	521	526	3,305	8,563
Disposals	–	(191)	(61)	–	–	(252)
Impairment loss^	–	(6,358)	–	–	–	(6,358)
Depreciation charge	(31)	(10,711)	(778)	(635)	(2,321)	(14,476)
Closing net book amount	3,783	22,154	720	2,316	6,608	35,581
At 30 June 2013 Restated						
Cost	3,978	92,297	2,969	4,667	14,927	118,838
Accumulated depreciation	(195)	(70,143)	(2,249)	(2,351)	(8,319)	(83,257)
Net book amount	3,783	22,154	720	2,316	6,608	35,581
Year ended 30 June 2014						
Opening net book amount	3,783	22,154	720	2,316	6,608	35,581
Transfers within property, plant and equipment	–	903	–	–	(903)	–
Foreign exchange impact	–	(51)	(2)	–	–	(53)
Additions	–	2,153	60	–	–	2,213
Disposals	–	(530)	(16)	–	–	(546)
Depreciation charge	(30)	(9,998)	(348)	(680)	(2,116)	(13,172)
Closing net book amount	3,753	14,631	414	1,636	3,589	24,023
At 30 June 2014						
Cost	3,978	91,945	2,522	4,667	12,462	115,574
Accumulated depreciation	(225)	(77,314)	(2,108)	(3,031)	(8,873)	(91,551)
Net book amount	3,753	14,631	414	1,636	3,589	24,023

^ REFER NOTE 4(b).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

18. Non-current assets – Deferred tax assets

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Unrealised foreign exchange loss	–	442
Employee benefits	**2,775**	3,036
Doubtful debts	**2,594**	2,426
Equity raising costs	–	276
Dismantling provision	**350**	350
Tax losses	**603**	20
Property, plant and equipment	–	25
Finance leases	–	504
Construction overclaim	**31**	1,282
Creditor retention	–	165
Financial assets at fair value through other comprehensive income	**161**	180
Onerous contract provision	**1,100**	–
Demobilisation costs	**82**	82
Sundry	**255**	467
Total deferred tax assets	**7,951**	9,255
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	**(1,080)**	(2,778)
Net deferred tax assets	**6,871**	6,477

All movements in temporary differences other than financial assets at fair value through other comprehensive income are recognised in deferred tax expense. The amount in relation to financial assets at fair value through other comprehensive income is recognised in other comprehensive income.

Unrecognised deferred tax assets

Some unused tax losses in current and prior years totalling $3.121 million (2013: $0.697 million) have not been recognised in the deferred tax asset balance due to management's view that these may never be utilised and in some instances are restricted by regulatory cessation dates.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

19. Non-current assets – Intangible assets

	Software $'000	Goodwill $'000	Brand $'000	Customer Contracts $'000	Total $'000
At 1 July 2012					
Cost	10,065	51,304	3,270	21,159	85,798
Accumulated amortisation and impairment charge	(1,773)	(20,000)	(1,994)	(17,701)	(41,468)
Net book amount	8,292	31,304	1,276	3,458	44,330
Year ended 30 June 2013					
Opening net book amount	8,292	31,304	1,276	3,458	44,330
Acquisitions	615	2,710	–	203	3,528
Amortisation for the year	(1,805)	–	(729)	(3,061)	(5,595)
Closing net book amount	7,102	34,014	547	600	42,263
At 30 June 2013					
Cost	10,680	54,014	3,270	21,362	89,326
Accumulated amortisation and impairment charge	(3,578)	(20,000)	(2,723)	(20,762)	(47,063)
Net book amount	7,102	34,014	547	600	42,263
Year ended 30 June 2014					
Opening net book amount	7,102	34,014	547	600	42,263
Acquisitions	145	–	–	–	145
Amortisation for the year	(1,985)	–	(547)	(600)	(3,132)
Closing net book amount	5,262	34,014	–	–	39,276
At 30 June 2014					
Cost	10,825	54,014	3,270	21,362	89,471
Accumulated amortisation and impairment charge	(5,563)	(20,000)	(3,270)	(21,362)	(50,195)
Net book amount	5,262	34,014	–	–	39,276

For the purposes of impairment testing, goodwill is allocated to the Group's operating business units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	2014 $'000	2013 $'000
Sedgman Operations	**15,790**	15,790
Sedgman Projects	**18,224**	18,224
	34,014	34,014

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

19. Non-current assets – Intangible assets (continued)

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts determined by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.50% (2013: 2.50%). In performing the value-in-use calculations, the Group has applied a post-tax discount rate of 11.9% (equivalent to a pre-tax discount rate of 15.4%) (2013: post-tax discount rate of 10.8% (equivalent to a pre-tax discount rate of 14.2%)). The values assigned to the key assumptions represent management's assessment of future trends in the mining and resources industry and were based on both external and internal sources.

The value-in-use calculations for each unit is most sensitive to the following assumptions:

- Cashflow forecasts used in years 1 to 5;
- Change in discount rates; and
- Long term growth rate.

A sensitivity analysis was conducted to determine the carrying value of the cash generating units under adverse conditions. There is no impairment from any reasonable change in the assumptions used in the value-in-use calculations.

20. Current liabilities – Trade and other payables

	2014 $'000	2013 $'000 Restated
Trade payables	**25,721**	14,493
Progress claims in advance (note 40)	**9,989**	40,839
Other creditors and accruals	**19,252**	18,070
	54,962	73,402

Trade and other payables are non-interest bearing and are expected to be settled within 12 months.

Information about the Group's exposure to currency and liquidity risk is included in note 37(b).

21. Current liabilities – Interest bearing liabilities

	2014 $'000	2013 $'000
Lease liabilities (note 32)	**5,660**	1,550
Commercial loans (secured)	**4,200**	4,200
Total current interest-bearing borrowings	**9,860**	5,750

The Group leases plant and equipment under finance leases expiring within four years (2013: five years). At the end of the lease term, the Group can make an offer to purchase the equipment at the residual prices set in the lease.

In March 2013 Sedgman extended its club banking agreement with the Australia and New Zealand bank ("ANZ") and the National Australia Bank ("NAB"). The agreement expires in March 2016 with separate components of the facility being set as either revolving with a 12 month annual review, or terminating. The outstanding commercial loans are being amortised over the three year term. Loans are secured by a fixed and floating charge over the assets of Sedgman Limited and are subject to an effective interest rate at 30 June 2014 of 4.72% (30 June 2013: 4.94%).

Total financing facilities at reporting date are $144.135 million (2013: $145.370 million). Total utilised facilities, comprising of performance guarantees and commercial loans, at reporting date are $51.338 million (2013: $57.004 million).

Information about the Group's exposure to interest rate and liquidity risk is included in note 37(b).

22. Current liabilities – Provisions

	2014 $'000	2013 $'000
Employee benefits	**8,006**	7,198
Dismantling Blair Athol CHPP	**1,165**	1,165
Dismantling other site costs	**209**	–
Surplus lease space (note 32(b))	**1,449**	–
	10,829	8,363

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Surplus lease space $'000	**Dis-mantling $'000**	**Total $'000**
Carrying amount at start of year	–	1,165	1,165
Charged/(credited) to profit or loss– additional provisions recognised	**1,449**	209	1,658
Carrying amount at end of year	**1,449**	1,374	2,823

23. Current liabilities – Current tax liabilities

	2014 $'000	2013 $'000
Income tax payable	**2,026**	744

24. Non-current liabilities – Interest bearing liabilities

	2014 $'000	2013 $'000
Lease liabilities (note 32)	–	5,642
Commercial loans (secured)	**11,453**	15,597
Total non-current borrowings	**11,453**	21,239

Refer to note 21 for terms of commercial loans.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

25. Non-current liabilities – Deferred tax liabilities

	2014 $'000	2013 $'000
The balance comprises temporary differences attributable to:		
Brands	–	164
Customer relationships	–	119
Land and buildings	766	775
Unrealised foreign exchange gains	113	804
Property, plant and equipment	123	–
Work in progress adjustments	–	120
Sundry	78	796
Total deferred tax liabilities	1,080	2,778
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(1,080)	(2,778)
Net deferred tax liabilities	–	–

All movements in temporary differences are recognised in deferred tax expense. No amounts have been recognised in equity.

26. Non-current liabilities – Provisions

	2014 $'000	2013 $'000
Make good	273	273
Employee benefits	748	2,312
Surplus lease space (note 32(b))	2,217	–
	3,238	2,585

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Surplus lease space $'000	Make good $'000	Total $'000
Carrying amount at start of year	–	273	273
Charged/(credited) to profit or loss – additional provisions recognised	2,217	–	2,217
Carrying amount at end of year	2,217	273	2,490

27. Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares				
Fully paid	227,059,277	220,368,310	116,212	112,250
	227,059,277	220,368,310	116,212	112,250

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

27. Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2012	Balance	214,292,930	106,377
24 Aug 2012	Long Term Incentive Plan share issues	1,220,000	1,517
20 Sept 2012	Dividend reinvestment plan issues	2,110,867	2,259
28 Nov 2012	Value adjustment on shares(i)	–	(592)
21 Mar 2013	Dividend reinvestment plan issues	2,744,513	2,689
		6,075,380	5,873
30 June 2013	**Balance**	**220,368,310**	**112,250**
17 Sept 2013	Dividend reinvestment plan issues	2,856,326	1,981
28 Mar 2014	Dividend reinvestment plan issues	3,834,641	1,981
		6,690,967	3,962
30 June 2014	**Balance**	**227,059,277**	**116,212**

(i) AT THE 2011 ANNUAL GENERAL MEETING HELD 28 NOVEMBER 2011, SHAREHOLDER APPROVAL WAS RECEIVED FOR MR JUKES' (THE COMPANY'S CHIEF EXECUTIVE OFFICER AT THE TIME) REMUNERATION CONTRACT WHICH INCLUDED EQUITY-SETTLED PERFORMANCE RIGHTS AND THE ISSUE OF 500,000 SHARES AS A SIGN ON ENTITLEMENT. THE SHARES IN RELATION TO THE SIGN ON ENTITLEMENT WERE ISSUED 28 FEBRUARY 2012, OUTSIDE THE ONE MONTH PERIOD CONTEMPLATED BY THAT SHAREHOLDER APPROVAL. FOLLOWING DISCUSSION WITH THE ASX, A LOCK WAS APPLIED TO THE SHARES UNTIL THE 2012 ANNUAL GENERAL MEETING, AT WHICH TIME SHAREHOLDER APPROVAL WAS RE-SOUGHT AND GRANTED AND THE SHARES WERE RELEASED TO MR JUKES. THE VALUE OF THE SHARES WAS ADJUSTED TO REFLECT THE CLOSING SHARE PRICE ON 28 NOVEMBER 2012, BEING THE DATE OF THE 2012 ANNUAL GENERAL MEETING.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

28. Nature and purpose of reserves

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as described in note 46(c). The reserve is recognised in profit or loss when the foreign operation is disposed of.

Equity compensation reserve

The equity compensation reserve recognises the fair value of performance rights issued as compensation to employees but not exercised.

Financial assets revaluation reserve

This reserve recognises changes in the fair value of financial assets included in other comprehensive income.

Refer to consolidated statement of changes in equity for the movement and closing balance of reserve accounts.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

29. Dividends

(a) Ordinary shares

	2014 $'000	2013 $'000
Final fully franked dividend		
Dividend per share $0.02 (2013: $0.065) based on tax paid @ 30%	**4,407**	14,008
Interim fully franked dividend		
Dividend per share $0.02 (2013: $0.03) based on tax paid @ 30%	**4,465**	6,529
Total dividends provided for or paid	**8,872**	20,537
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2014 and 30 June 2013 were as follows:		
Paid in cash	**4,910**	15,589
Satisfied by issue of shares	**3,962**	4,948
	8,872	20,537

After the balance sheet date the following dividend was proposed by the Directors. The dividend has not been provided for. The record date for entitlement to this dividend will be 10 September 2014. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	Franked/ unfranked	Date of Payment
Final ordinary	2.0	Franked	24 Sept 14

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

(b) Franked dividends

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

	2014 $'000	2013 $'000
Franking credits available for subsequent financial years based on tax rate of 30% (2013: 30%)	**26,085**	26,802

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the current tax liabilities

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, Sedgman Limited as the head entity in the tax-consolidated group has also assumed the benefit of $26.085 million (2013: $26.802 million) franking credits.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $1.946 million (2013: $1.889 million).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

30. Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2014 $	2013 $
Audit and review services		
Auditors of the Company – KPMG		
Audit and review of financial statements	**485,578**	623,599
Other regulatory audit services	**25,805**	34,055
Audit and review of financial statements	**511,383**	657,654
Other auditors	**12,260**	–
Audit and review of financial statements	**523,643**	657,654
Other services		
Auditors of the Company – KPMG		
In relation to other assurance services, taxation, research and development allowance and other advisory services	**645,375**	815,230
	645,375	815,230

31. Contingencies

Guarantees and Performance Bonds

Bank guarantees and performance bonds have been given in respect of work in progress contracts and leased premises of the Group amounting to $32.228 million (2013: $33.868 million).

32. Commitments

(a) Capital commitments

There were no capital commitments contracted for at the reporting date but not recognised as liabilities (2013: nil).

(b) Lease commitments

(i) Operating leases	**2014 $'000**	2013 $'000 Restated
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**6,304**	5,969
Later than one year but not later than five years	**8,983**	13,142
	15,287	19,111

The Group leases buildings under operating leases expiring within the next 2.5 years (2013: 3.5 years). The leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on Fixed Increase Percentages and the Consumer Price Index.

The operating lease rental expense recognised in the year ended 30 June 2014 was $5.497 million (2013: $7.862 million). In addition, in the current year an onerous contract, as defined in note 46(r), relating to surplus lease space was recognised in other expenses increasing costs by $3.666 million (2013: nil).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

32. Commitments (continued)

(b) Lease commitments (continued)

(ii) Finance leases

	2014 $'000	2013 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**3,748**	2,031
Later than one year but not later than five years	**2,414**	6,143
Minimum lease payments	**6,162**	8,174
Less: Future finance charges	**(502)**	(982)
Total lease liabilities	**5,660**	7,192
Representing lease liabilities:		
Current (note 21)	**5,660**	1,550
Non-current (note 24)	**–**	5,642
	5,660	7,192

The Group leases plant and equipment under finance leases expiring within four years (2013: five years). At the end of the lease term, the Group has the option to purchase the equipment at the residual prices set in the lease.

Due to the financing leases with ANZ and NAB being under annual revolving facilities, all outstanding commitments on these leases are classified as a current liability.

Refer note 36 for commitments relating to joint ventures and associates.

33. Related party transactions

(a) Parent entity

The parent entity within the Group is Sedgman Limited.

(b) Directors

The names of persons who were Directors of the Company at any time during the financial year are as follows: R J Kempnich, P R Watson, N N Jukes, D J Argent, R J McDonald, R R Short, B A Munro, P I Richards and A L Jacobs. All of these persons were also Directors at any time during the year ended 30 June 2013, except for A L Jacobs and P R Watson who were appointed on 3 October 2013 and 26 June 2014 respectively. N N Jukes held office as Director until his resignation on 26 June 2014. B A Munro held office as a Non-Executive Director until his resignation on 31 July 2013.

(c) Subsidiaries

Interests in subsidiaries are set out in note 34.

(d) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	**3,456,895**	4,323,175
Long-term employee benefits	**22,923**	6,158
Post-employment benefits	**243,884**	221,299
Termination benefits	**129,964**	–
Share-based payments	**1,118,928**	1,520,761
	4,972,594	6,071,393

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the LTI plan (see note 41).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

33. Related party transactions (continued)

(e) Services provided to/from related parties

During the year ended 30 June 2014 OnTalent Pty Ltd, an associate of Sedgman Limited (refer note 36(c)), provided recruitment services and contractors to the Group for $2.100 million (2013: $2.000 million), consistent with OnTalent's normal terms and conditions. At year end, the amount payable to OnTalent Pty Ltd was $17,485 (2013: nil).

During the year ended 30 June 2014, Russell Todd from Jukes Todd & Associates, an entity over which the former Managing Director of Sedgman Limited had control, provided consulting services with respect to a dispute on a Projects contract for $60,588 (2013: Nil).

During the year ended 30 June 2013 Yeats Consulting Pty Ltd, a wholly owned subsidiary of Sedgman Limited, provided consulting services to Amode for $155,789. (Refer note 33(f) for significant influence details). No services were performed in the year ended 30 June 2014.

These transactions were at arm's length.

(f) Loans provided to/from related parties

During the year ended 30 June 2013 Sedgman Limited provided a long term non-interest bearing loan to Amode Pty Ltd ("Amode") for $561,000, an entity over which the former Managing Director of Sedgman, and the Group, had significant influence. This loan was unsecured. Sedgman sold its interest in Amode in April 2013 at which time Amode repaid the loan to Sedgman. Over the period these transactions occurred, the former Managing Director and the Group had significant influence over Amode.

(g) GSJV SCC

During the year ended 30 June 2014 the Group provided engineering consulting services to the GSJV SCC a joint arrangement of the Group (refer note 36(b)) for $9.698 million (2013: nil). These services were provided under the Group's normal terms and conditions. At year end the amount receivable from GSJV SCC was $1.071 million (2013: nil). Refer to note 36(b) for relationship details.

(h) Thiess Sedgman Joint Venture ("TSJV")

During the year ended 30 June 2014 the Group provided engineering consulting services to the TSJV a joint operation of the Group (refer note 36(a)) for $4.691 million (2013: $7.275 million). These services were provided under the Group's normal terms and conditions. At year end the amount receivable from TSJV was $0.283 million (2013: $6.741 million). Refer to note 36(a) for relationship details.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

34. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 46(a):

Name of entity	Country of incorporation	Class of shares	Equity Holding 2014 %	Equity Holding 2013 %
Parent entity				
Sedgman Limited	Australia			
Controlled entities				
Sedgman Asia Ltd	Hong Kong	Ordinary	100	100
Sedgman Botswana (Pty) Ltd	Botswana	Ordinary	100	100
Sedgman Engineering Technology (Beijing) Co Ltd	China	Ordinary	100	100
Sedgman Employment Services Pty Ltd	Australia	Ordinary	100	100
Sedgman International Employment Services Pty Ltd	Australia	Ordinary	100	100
Sedgman LLC	Mongolia	Ordinary	100	100
Sedgman Malaysia Sdn Bd	Malaysia	Ordinary	100	100
Sedgman Mozambique Limitada	Mozambique	Ordinary	100	100
Sedgman S.A.	Chile	Ordinary	99	99
Sedgman S.A.S.	Colombia	Ordinary	100	100
Sedgman South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Sedgman Operations Employment Services Pty Ltd	Australia	Ordinary	100	100
Sedgman Operations Pty Ltd	Australia	Ordinary	100	100
Contrelec Engineering Pty Ltd	Australia	Ordinary	100	100
Intermet Engineering Pty Ltd	Australia	Ordinary	100	100
Tambala Pty Ltd	Mauritius	Ordinary	100	100
Yeats Consulting Unit Trust	Australia	Ordinary	100	100
Yeats Consulting Pty Ltd	Australia	Ordinary	100	100
Sedgman South Africa Investments Limited	British Virgin Islands	Ordinary	100	100
Sedgman Canada Limited	Canada	Ordinary	100	100

GSJV SCC (previously named GSJV Limited) was a 100% owned subsidiary of the Group from 20 November 2013 up to the execution of the shareholders' agreement with GyM Operaciones Internacionales Sociedad Anonima Cerrada on 31 May 2014, refer note 36(b) for current arrangements. This change in ownership did not give rise to a gain or a loss.

Refer to note 9 for regulatory restrictions in relation to Sedgman Engineering Technology (Beijing) Co Ltd and Sedgman Mozambique Limitada.

35. 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* requirements 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 under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Contrelec Engineering Pty Ltd
- Intermet Engineering Pty Ltd
- Sedgman Operations Employment Services Pty Ltd
- Sedgman Operations Pty Ltd
- Sedgman International Employment Services Pty Ltd

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

35. Deed of cross guarantee (continued)

A consolidated statement of profit or loss and other comprehensive income and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2014 is set out as follows:

(a) Consolidated statement of profit or loss and other comprehensive income and retained earnings

	2014 $'000	2013 $'000 Restated
Revenue from services	**303,357**	436,392
Other income	**3,617**	5,437
Dividends received	**–**	2,343
	306,974	444,172
Changes in construction work in progress	**25,845**	(27,262)
Raw materials and consumables used	**(196,038)**	(229,482)
Depreciation and amortisation expense	**(15,538)**	(18,654)
Employee expenses	**(78,127)**	(108,470)
Agency contract fees	**(5,590)**	(7,857)
Impairment of property, plant and equipment	**–**	(6,358)
Impairment of receivables	**(3,082)**	(593)
Other expenses	**(25,378)**	(24,523)
Finance costs	**(2,660)**	(2,892)
	(300,568)	(426,091)
Share of net profits/(losses) of investments accounted for using the equity method	**1,019**	(45)
(Loss)/profit before income tax	**7,425**	18,036
Income tax expense	**(3,053)**	(3,988)
(Loss)/profit after tax	**4,372**	14,048
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets (net of tax)	**43**	(420)
Other comprehensive income for the year, net of tax	**43**	(420)
Total comprehensive income for the year, net of tax	**4,415**	13,628
Retained earnings at the beginning of the financial year	**34,982**	41,471
(Loss)/profit for the year	**4,372**	14,048
Dividends recognised during the year	**(8,872)**	(20,537)
Retained earnings at end of year	**30,482**	34,982

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

35. Deed of cross guarantee (continued)

(b) Consolidated balance sheet

	2014 $'000	2013 $'000 Restated
Assets		
Current assets		
Cash and cash equivalents	**79,948**	74,353
Trade and other receivables	**79,917**	86,511
Assets classified as held for sale	**1,483**	1,483
Current tax assets	–	34
Inventories	**2,587**	4,387
Total current assets	**163,935**	166,768
Non-current assets		
Trade and other receivables	**6,925**	4,440
Investments accounted for using the equity method	**2,587**	505
Investments in controlled entities	**7,721**	7,721
Financial assets at fair value through other comprehensive income	**1,026**	400
Financial assets at fair value through profit or loss	**789**	–
Property, plant and equipment	**22,963**	33,944
Deferred tax assets	**5,013**	4,242
Intangible assets	**36,565**	39,553
Total non-current assets	**83,589**	90,805
Total assets	**247,524**	257,573
Liabilities		
Current liabilities		
Trade and other payables	**52,926**	61,287
Interest bearing liabilities	**9,842**	5,750
Provisions	**8,725**	5,800
Current tax liabilities	**1,800**	–
Total current liabilities	**73,293**	72,837
Non-current liabilities		
Trade and other payables	**1,280**	2,057
Interest bearing liabilities	**11,453**	21,239
Provisions	**3,238**	2,585
Other	**226**	250
Total non-current liabilities	**16,197**	26,131
Total liabilities	**89,490**	98,968
Net assets	**158,034**	158,605
Equity		
Contributed equity	**116,212**	112,250
Reserves	**11,340**	11,373
Retained profits	**30,482**	34,982
Parent entity interest	**158,034**	158,605

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

36. Interests in joint arrangements and associates

(a) Interest in joint operation

Name and principal activity	Ownership interest 2014	2013
Thiess Sedgman Joint Venture ("TSJV") 179 Grey Street South Bank QLD 4101 Australia	**50%**	50%

The TSJV delivers the design, construction and commissioning of coal handling and preparation plants, minerals processing plants and other related equipment. The purpose of Sedgman's involvement with the TSJV is to provide growth opportunities and increase access to integrated engineering and operations solutions.

(b) Interest in joint venture

During the year ended 30 June 2014 Sedgman entered into a joint venture to deliver a mineral processing plant and related infrastructure in Guyana with GyM Operaciones Internacionales Sociedad Anonima Cerrada.

The joint venture entity GSJV Limited was incorporated in Barbados on 20 November 2013. The name of the entity was changed on 17 March 2014 to GSJV SCC. The principal place of business is Erin Court, Bishop's Court Hill, St. Michael, Barbados.

GSJV SCC is structured as a separate vehicle and the Group has a 50% interest in the net assets of GSJV SCC. All decisions of the shareholders in GSJV SCC require, and may only be passed by, the unanimous resolution of all shareholders. Accordingly, the Group has classified its interest in GSJV SCC as a joint venture, which is equity accounted. In accordance with the agreement under which GSJV SCC was established and will be operated, Sedgman has contributed US$1 million and has agreed to make additional contributions in proportion to its interest to make up any losses, if required. This commitment has not been recognised in these consolidated financial statements.

The Group has no other commitments or contingencies as at 30 June 2014 (2013: n/a) in relation to its interest in the GSJV SCC joint venture.

The following table summarises the financial information of GSJV SCC (based on the financial statements prepared in accordance with Australian Accounting Standards) and reconciles this with the carrying amount of the Group's interest in GSJV SCC.

	2014 $'000	2013 $'000
GSJV SCC assets and liabilities (100%)		
Current assets*	**29,838**	–
Non-current assets	–	–
Total assets	**29,838**	–
Current liabilities	**25,718**	–
Non-current liabilities	–	–
Total liabilities	**25,718**	–
Net assets/(liabilities)	**4,120**	–
Group's share (being 50%) of net assets	**2,060**	–
Included in the balance sheet as investments accounted for using the equity method	**2,060**	–
GSJV SCC revenue, expenses and results (100%)		
Revenue	**35,469**	–
Expenses	**(33,475)**	–
Net profit/(loss) after income tax	**1,994**	–
Other comprehensive income	–	–
Total comprehensive income for the period	**1,994**	–
Group's share (being 50%) of net profit/(loss) after income tax	**997**	–

*INCLUDED IN GSJV SCC'S CURRENT ASSETS IS A CASH BALANCE OF $15.244 MILLION (2013: NIL).

No dividends have been received by the Group from the joint venture during the year ended 30 June 2014 (2013: n/a).

(c) Interest in associates

On 1 July 2012 Sedgman acquired 33% in OnTalent Pty Ltd for $549,540. The Group retains a 33% interest in OnTalent Pty Ltd at 30 June 2014.

On 7 December 2012, Sedgman acquired a 33% in Amode Pty Ltd ("Amode") for $4,000. Subsequent to this Sedgman increased its investment in Amode to 39% for a cash contribution of $250,000. On 23 April 2013 Sedgman sold its investment in Amode for a value equal to its combined investment, being $254,000 and accordingly there was no gain or loss on disposal.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

36. Interests in joint arrangements and associates (continued)

(c) Interest in associates (continued)

Movements in carrying amounts	2014 $'000	2013 $'000
Carrying amount at the beginning of the financial year	**505**	—
Acquisition of interests in associates	—	804
Share of profits/(losses) from continuing operations	**22**	(45)
Proceeds from sale of investments in associate	—	(254)
	527	505

37. Financial instruments

(a) Financial instruments classifications and fair values

The fair value of financial assets and liabilities and their levels in the fair value hierarchy, together with the carrying amounts shown in the consolidated balance sheet, are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The fair value levels have been defined in note 4(b).

	2014		2013	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets				
Cash and cash equivalents #	**97,789**		103,354	
Trade and other receivables #	**77,518**		91,772	
Financial assets at fair value through other comprehensive income*	**1,026**	**1,026**	400	400
Financial assets at fair value through profit or loss^	**808**	**808**	—	
Total financial assets	**177,141**		195,526	
Financial liabilities #				
Trade and other payables	**54,962**		73,402	
Interest bearing liabilities	**21,313**		26,989	
Total financial liabilities	**76,275**		100,391	

* FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME INCLUDES AN ASSET DEEMED LEVEL 3 IN THE FAIR VALUE HIERARCHY OF $0.400 MILLION (30 JUNE 2013: $0.400 MILLION). ALL OTHER ITEMS ARE DEEMED LEVEL 1.

^ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS INCLUDES ASSETS DEEMED LEVEL 3 IN THE FAIR VALUE HIERARCHY OF $0.773 MILLION (30 JUNE 2013: NIL). ALL OTHER ITEMS ARE DEEMED LEVEL 1.

THE GROUP HAS NOT DISCLOSED THE FAIR VALUES FOR CASH AND CASH EQUIVALENTS, TRADE AND OTHER RECEIVABLES AND FINANCIAL LIABILITIES AS THEIR CARRYING AMOUNTS ARE A REASONABLE APPROXIMATION OF FAIR VALUES

(i) Valuation techniques

Level 2: The Group does not hold any Level 2 class financial assets.

Level 3: Inputs are based on either management's best estimates and using a discounted cash flows methodology or management's best estimate in conjunction with independent market valuation.

(ii) Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Designated at fair value	
	2014 $'000	2013 $'000
Balance at beginning of period	**400**	1,000
Payments for convertible notes	**750**	—
Total unrealised gains/(losses) for the period included in profit or loss	**23**	—
Total unrealised gains/(losses) for the period included in other comprehensive income	—	(600)
Balance at 30 June	**1,173**	400

(b) Financial risk management

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

- Market risk (see (b)(ii))
- Credit risk (see (b)(iii))
- Liquidity risk (see (b)(iv))

(i) Risk management framework and capital management

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management system within the Corporate group, which is responsible for developing and monitoring the Group's risk management policies. This Corporate group reports to the Audit and Risk Management Committee and the Board throughout the year on its activities.

The Group's risk management policies and procedures are established to identify and analyse the risks faced by the Group, and monitor those risks. Risk management policies and procedures 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.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

37. Financial instruments (continued)

(b) Financial risk management (continued)

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to sustain future development of the business and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

(ii) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD). The amounts below represent the AUD equivalent of USD cash held, or receivable or payable in USD, in entities within the Group whose functional currency is not USD.

	2014 $'000	2013 $'000
Financial Assets		
Cash and cash equivalent assets	**10,998**	22,933
Trade and other receivables	**1,164**	3,038
	12,162	25,971
Financial Liabilities		
Trade and other payables	**927**	16
	927	16
Net Exposure	**11,235**	25,955

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. This analysis is performed on the same basis for 2013.

With all other variables held constant, the below table illustrates how post tax profit and equity for the Group would have been affected had the Australian dollar moved against the USD:

	2014 $'000	2013 $'000
Impact on post-tax profit:		
+10% AUD / USD	**(757)**	(1,652)
-10% AUD / USD	**926**	2,019
Impact on equity:		
+10% AUD / USD	**(757)**	(1,652)
-10% AUD / USD	**926**	2,019

The Group regularly monitors the level of its foreign currency exposure and where appropriate, considers the use of foreign exchange contracts to manage significant exposures. There were no foreign exchange contracts entered at 30 June 2014 (2013: nil).

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At 30 June 2013 and 30 June 2014, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	2014 $'000	2013 $'000 Restated
Financial Assets		
Cash and cash equivalents assets	**97,773**	103,325
	97,773	103,325
Financial Liabilities		
Commercial loans	**15,750**	19,950
	15,750	19,950
Net Exposure	**82,023**	83,375

The other financial instruments of the Group not included in the above table are not subject to cash flow variable interest rate risk.

The Group regularly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative positions and the mix of fixed and variable interest rates. The Group does not use derivative financial instruments to manage its interest rate exposure.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. This analysis is performed on the same basis for 2013.

	2014 $'000	2013 $'000 Restated
Impact on post-tax profit:		
+1% (100 basis points)	**574**	582
-1% (100 basis points)	**(574)**	(582)
Impact on equity:		
+1% (100 basis points)	**574**	582
-1% (100 basis points)	**(574)**	(582)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

37. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counter parties fail to perform as contracted. The Group also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness.

The Group manages its credit risk by maintaining strong relationships with a broad range of clients. The Group's trade and other receivables relate mainly to participants in the resources industry. At the balance sheet date, there were six customers which represented 43% (2013: six customers which represented 61%) of the Group's trade receivables.

There were no other significant concentrations of credit risk. During the year, there were no significant changes in the credit terms of any customers. The maximum exposure to credit risk is represented by the carrying amount of financial assets of the Group, excluding investments, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been recognised on the balance sheet.

Receivables balances are monitored on an ongoing basis and impairments have been recognised where the Group has considered customers to be financially constrained and/or in accordance with agreed commercial settlements on completed projects. Through this review the Group limits its exposure to bad debts. For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counter party is in default under the terms of the agreement.

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

	Gross 2014 $'000	Impairment 2014 $'000	Gross 2013 $'000 Restated	Impairment 2013 $'000
Not past due	**43,850**	**–**	50,813	–
Past due 0-30 days	**14,597**	**–**	12,893	–
Past due 31-60 days	**2,069**	**–**	3,439	–
More than 61 days	**11,092**	**10,020**	11,998	7,121
	71,608	**10,020**	79,143	7,121

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

	2014 $'000	2013 $'000
Balance at 1 July	**7,121**	5,759
Impairment loss recognised / (reversed)	**5,784**	2,381
Amounts written off	**(2,441)**	(1,019)
Impact of movement in foreign exchange	**(444)**	–
Balance at 30 June	**10,020**	7,121

There were no impairment losses recognised in relation to the Group's other receivables at 30 June 2014 (2013: $5.220 million). However, the current year included a favourable foreign exchange movement of $0.156 million in relation to the prior year impairment allowance of $5.220 million which remains at 30 June 2014 (balance at year end of $5.064 million).

The total impairment allowances held against the Group's trade and other receivables at 30 June 2014 was $15.084 million (2013: $12.341 million).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet liabilities as they fall due.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

37. Financial instruments (continued)

(b) Financial risk management (continued)

The following are the contractual maturities of financial liabilities:

	Carrying Value $'000	Contractual Cash Flows $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	More than 5 years $'000
Year ended 30 June 2014						
Financial liabilities						
Trade and other payables	54,962	54,962	54,962	–	–	–
Lease liabilities	5,660	6,162	3,748	662	1,752	–
Commercial loans	15,750	16,748	4,848	11,900	–	–
	76,372	77,872	63,558	12,562	1,752	–
Year ended 30 June 2013 Restated						
Financial liabilities Restated						
Trade and other payables	73,402	73,402	73,402	–	–	–
Lease liabilities	7,192	8,174	2,031	3,729	2,414	–
Commercial loans	19,950	21,804	5,056	4,848	11,900	–
	100,544	103,380	80,489	8,577	14,314	–

As disclosed in note 21, the Group has a secured bank facility which contains debt covenants. If a breach of covenants were to occur, this may require the Group to repay the loan earlier than indicated in the above table. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

38. Reconciliation of (loss)/profit to net cash from operating activities

	2014 $'000	2013 $'000 Restated
(Loss)/profit for the year	**(7,693)**	9,428
Depreciation and amortisation	**16,304**	20,071
Impairment of plant and equipment	–	6,358
Impairment of receivables	**5,784**	7,601
Employee performance rights	**(73)**	2,470
Net (gain) loss on sale of non-current assets	**175**	(354)
Net (gain) loss on financial assets at fair value through profit or loss	**(23)**	–
Share of (profits)/losses of investments accounted for using the equity method	**(1,019)**	45
Net unrealised foreign exchange differences	**(747)**	(3,007)
Increase/(decrease) in trade and other creditors	**12,410**	(73,592)
Increase/(decrease) in current tax liabilities	**1,282**	(15,214)
Increase/(decrease) in provision for employee entitlements	**(756)**	109
Increase/(decrease) in provision for dismantling	**209**	–
Increase/(decrease) in provision for onerous contract	**3,666**	–
Decrease/(increase) in current tax assets	**2,169**	(4,158)
Decrease/(increase) in deferred tax assets	**(394)**	2,688
Decrease/(increase) in trade and other receivables	**4,998**	45,986
Decrease/(increase) in work in progress	**(27,378)**	34,540
Decrease/(increase) in inventories	**1,800**	2,477
Sundry	**64**	671
Net cash (outflow) inflow from operating activities	**10,778**	36,119

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

39. Earnings per share

	2014 Cents	2013 Cents
(a) Basic earnings per share		
Basic earnings per share	**(3.4)**	4.3
	(3.4)	4.3
(b) Diluted earnings per share		
Diluted earnings per share	**(3.4)**	4.3
	(3.4)	4.3

	2014 $'000	2013 $'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(7,693)**	9,428
Diluted earnings per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**(7,693)**	9,428

	2014 Number	2013 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		
Issued ordinary shares as at 1 July	**220,368,310**	214,292,930
Effect of dividend reinvestment plan	**3,243,918**	2,409,388
Effect of Long Term Incentive Plan share issues	**–**	608,329
Weighted average number of ordinary shares as at 30 June	**223,612,228**	217,310,647
Effect of performance rights	**–**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**223,612,228**	217,310,647

Performance rights of 4,892,847 (2013: 5,841,836) were not included in the weighted average number of ordinary shares for the diluted earnings per share calculation because they were anti-dilutive.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

40. Progress claims in advance

	2014 $'000	2013 $'000 Restated
Construction work in progress comprises:		
Contract costs and net profits to date	**302,371**	794,540
Less: Progress billings	**(305,697)**	(825,244)
Net construction work in progress	**(3,326)**	(30,704)
Net construction work in progress comprises:		
Amounts due from customers – trade and other receivables (note 10)	**6,663**	10,135
Amounts due to customers – trade and other payables (note 20)	**(9,989)**	(40,839)
	(3,326)	(30,704)

41. Share-based payment arrangements

(a) Employee Share Scheme (equity-settled)

This scheme did not operate for the 2014 or 2013 financial years.

(b) Long Term Incentive ("LTI") Plan (equity-settled)

Performance rights were granted to executive and senior management roles for no consideration during the 2014 financial year following the approval of the LTI Plan by shareholders at the Company's Annual General Meeting on 28 November 2012.

Tranche	Performance measurement period	Vesting date	Expected Life[(i)]	Risk free rate
5	1 July 2013 to 30 June 2016	August 2016[(ii)]	3.15 years	3.08% – 4.35%

(i) EXPECTED LIFE TAKEN FROM 1 JULY 2013.

(ii) ACTUAL VESTING DATE WILL BE THE DATE THE FINANCIAL RESULTS ARE RELEASED TO THE MARKET.

There were no performance rights issued under the LTI plan (Tranche 4) during the 2013 financial year.

In relation to performance rights issued in previous years, for the remaining tranche the following vesting profile is in place:

Tranche	Performance measurement period	Vesting date	Expected Life[(i)]	Risk free rate
3	1 July 2011 to 30 June 2014	28 August 2014	1.15 years	3.08% – 4.35%

(i) EXPECTED LIFE TAKEN FROM 1 JULY 2013.

The performance rights are issued to employees for no consideration and are subject to the employee's continuing employment and lapse upon resignation, redundancy or termination (unless certain circumstances such as death or disability where vesting is at the discretion of the Board) or failure to achieve the specified performance vesting condition. The performance rights will immediately vest and become exercisable if in the Board's opinion a vesting event occurs (as defined in the plan rules) such as a takeover bid or winding up of the Company. If the performance rights vest and are exercised the employee receives ordinary shares of the Company for no consideration.

The performance vesting condition for performance rights issued is relative to Total Shareholder Return ("TSR"). At the end of each tranche's performance measurement period, the Board will rank the Company's TSR against a peer group that currently comprises 15 other companies for tranches 2 and 3 and 19 other companies for tranche 5 considered by the Board to be peers or competitors of the Company.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

41. Share-based payment arrangements (continued)

(b) Long Term Incentive (“LTI”) Plan (equity-settled) (continued)

The percentage of performance rights in each respective tranche that will vest and become exercisable will depend upon the Company’s TSR performance relative to the companies in the peer group (as determined by the Board) as set out in the table below:

Sedgman TSR ranking (at end of performance measurement period)	Percentage of performance rights in relevant tranche that vest
1-5	100%
6	90%
7	80%
8	70%
9	60%
10	50%
11-20	0%

With respect of Tranche 2 and 3, the original peer group included 20 companies, including Sedgman Limited. The peer group now comprises 16 companies, as 4 companies were removed from the official list of ASX Limited. These included the following companies:

NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Austin Engineering Ltd; Boart Longyear Limited; Worley Parsons Ltd; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; and AJ Lucas Group Limited.

With respect to performance rights granted under Tranche 5 the peer group includes the following 20 companies:

NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Worley Parsons Limited; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; Coffey International Limited; Decmil Group Limited; GR Engineering Services Limited; Calibre Group Holdings Limited; MACA Limited; UGL Limited and Southern Cross Electrical Engineering Limited.

The Board have also nominated an additional five suitable replacement companies (“the reserve group”). Where a company in the peer group is delisted, merges or ceases to be suitable for comparative purposes, it will, subject to the Board’s discretion, be replaced by a company from the reserve group. The peer group and reserve group may be varied from time to time by the Board in its absolute discretion. During the year Clough Limited and Forge Group Limited were delisted and replaced with UGL Limited and Southern Cross Electrical Engineering Limited respectively. In addition, one of the reserve group companies, Norfolk Group Limited, was taken over by RCR Tomlinson Ltd. The remaining reserve group comprises:

VDM Group Limited and Resource Development Group Limited.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

41. Share-based payment arrangements (continued)

(b) Long Term Incentive ("LTI") Plan (equity-settled) (continued)

The fair value of services received in return for performance rights granted is based on the fair value of the rights granted measured using a Monte Carlo model. A summary of performance rights granted to Executives and other participants inputs used to determine the fair value of performance rights granted are as follows:

Grant Date	Fair value at grant date	Share price at date of grant	Expected volatility(i)	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Balance at the end of year Number(ii)
2014									
Tranche 2									
22 Feb 10	$0.860	$1.410	50%	4.96%	865,517	–	(865,517)	–	–
28 Jul 10	$1.018	$1.550	45%	4.19%	250,000	–	(250,000)	–	–
24 Nov 10	$1.394	$1.980	45%	3.29%	250,000	–	(250,000)	–	–
01 Jan 11	$1.665	$2.280	45%	2.85%	25,000	–	(25,000)	–	–
27 Oct 11	$1.356	$1.945	45%	3.34%	57,580	–	(57,580)	–	–
28 Oct 11	$1.429	$1.970	45%	3.30%	81,451	–	(81,451)	–	–
31 Oct 11	$1.437	$1.960	45%	3.32%	378,746	–	(378,746)	–	–
28 Nov 11	$1.525	$2.000	45%	3.25%	1,000,000	–	(1,000,000)	–	–
1 Dec 11	$1.490	$2.000	45%	3.25%	–	–	–	–	–
16 Mar 12	$1.569	$2.310	45%	2.81%	40,725	–	(40,725)	–	–
					2,949,019	–	(2,949,019)	–	–
Tranche 3									
22 Feb 10	$0.830	$1.410	50%	4.96%	835,991	–	(58,034)	–	777,957
28 Jul 10	$0.952	$1.550	45%	4.19%	250,000	–	–	–	250,000
24 Nov 10	$1.285	$1.980	45%	3.29%	250,000	–	–	–	250,000
01 Jan 11	$1.480	$2.280	45%	2.85%	25,000	–	–	–	25,000
27 Oct 11	$1.239	$1.945	45%	3.34%	55,951	–	(15,475)	–	40,476
28 Oct 11	$1.290	$1.970	45%	3.30%	77,378	–	(15,476)	–	61,902
31 Oct 11	$1.284	$1.960	45%	3.32%	359,808	–	(50,296)	–	309,512
28 Nov 11	$1.364	$2.000	45%	3.25%	1,000,000	–	(1,000,000)	–	–
1 Dec 11	$1.336	$2.000	45%	3.25%	–	–	–	–	–
16 Mar 12	$1.514	$2.310	45%	2.81%	38,689	–	(38,689)	–	–
					2,892,817	–	(1,177,970)	–	1,714,847
Tranche 5									
21 Nov 13	$0.425	$0.670	55%	4.50%	–	4,458,000	(1,280,000)	–	3,178,000
					–	4,458,000	(1,280,000)	–	3,178,000
Total					**5,841,836**	**4,458,000**	**(5,406,989)**	–	**4,892,847**

(i) VOLATILITY HAS BEEN DETERMINED BY AN INDEPENDENT EXPERT REVIEWING SEDGMAN'S SHARE PRICE VOLATILITY OVER THE LAST FOUR YEARS FROM GRANT DATE WITH RESPECT TO MOVING AVERAGE PERIODS OF 90 DAYS, 120 DAYS, 1 YEAR, 2 YEARS AND 3 YEARS.

(ii) NO PERFORMANCE RIGHTS WERE EXERCISABLE AT 30 JUNE 2014.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

41. Share-based payment arrangements (continued)

(b) Long Term Incentive ("LTI") Plan (equity-settled) (continued)

Grant Date	Fair value at grant date	Share price at date of grant	Expected volatility(i)	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Balance at the end of year Number(ii)
2013									
Tranche 1									
22 Feb 10	$0.860	$1.410	50%	4.96%	939,466	–	(469,733)	(469,733)	–
24 Nov 10	$1.463	$1.980	45%	3.29%	125,000	–	(62,500)	(62,500)	–
01 Jan 11	$1.782	$2.280	45%	2.85%	25,000	–	(12,500)	(12,500)	–
08 Jan 11	$1.617	$2.080	45%	3.13%	50,000	–	(25,000)	(25,000)	–
27 Oct 11	$1.632	$1.945	45%	3.34%	59,295	–	(29,647)	(29,648)	–
28 Oct 11	$1.668	$1.970	45%	3.30%	85,738	–	(42,869)	(42,869)	–
31 Oct 11	$1.687	$1.960	45%	3.32%	471,516	–	(235,758)	(235,758)	–
28 Nov 11	$1.767	$2.000	45%	3.25%	500,000	–	(250,000)	(250,000)	–
					2,256,015	–	(1,128,007)	(1,128,008)	–
Tranche 2									
22 Feb 10	$0.860	$1.410	50%	4.96%	1,169,144	–	(303,627)	–	865,517
28 Jul 10	$1.018	$1.550	45%	4.19%	250,000	–	–	–	250,000
24 Nov 10	$1.394	$1.980	45%	3.29%	250,000	–	–	–	250,000
01 Jan 11	$1.665	$2.280	45%	2.85%	25,000	–	–	–	25,000
27 Oct 11	$1.356	$1.945	45%	3.34%	57,580	–	–	–	57,580
28 Oct 11	$1.429	$1.970	45%	3.30%	81,451	–	–	–	81,451
31 Oct 11	$1.437	$1.960	45%	3.32%	427,616	–	(48,870)	–	378,746
28 Nov 11	$1.525	$2.000	45%	3.25%	1,000,000	–	–	–	1,000,000
1 Dec 11	$1.490	$2.000	45%	3.25%	–	–	–	–	–
16 Mar 12	$1.569	$2.310	45%	2.81%	40,725	–	–	–	40,725
					3,301,516	–	(352,497)	–	2,949,019
Tranche 3									
22 Feb 10	$0.830	$1.410	50%	4.96%	1,129,436	–	(293,445)	–	835,991
28 Jul 10	$0.952	$1.550	45%	4.19%	250,000	–	–	–	250,000
24 Nov 10	$1.285	$1.980	45%	3.29%	250,000	–	–	–	250,000
01 Jan 11	$1.480	$2.280	45%	2.85%	25,000	–	–	–	25,000
27 Oct 11	$1.239	$1.945	45%	3.34%	55,951	–	–	–	55,951
28 Oct 11	$1.290	$1.970	45%	3.30%	77,378	–	–	–	77,378
31 Oct 11	$1.284	$1.960	45%	3.32%	406,235	–	(46,427)	–	359,808
28 Nov 11	$1.364	$2.000	45%	3.25%	1,000,000	–	–	–	1,000,000
1 Dec 11	$1.336	$2.000	45%	3.25%	–	–	–	–	–
16 Mar 12	$1.514	$2.310	45%	2.81%	38,689	–	–	–	38,689
					3,232,689	–	(339,872)	–	2,892,817
Total					**8,790,220**	–	**(1,820,376)**	**(1,128,008)**	**5,841,836**

(i) VOLATILITY HAS BEEN DETERMINED BY AN INDEPENDENT EXPERT REVIEWING SEDGMAN'S SHARE PRICE VOLATILITY OVER THE LAST FOUR YEARS FROM GRANT DATE WITH RESPECT TO MOVING AVERAGE PERIODS OF 90 DAYS, 120 DAYS, 1 YEAR, 2 YEARS AND 3 YEARS.

(ii) NO PERFORMANCE RIGHTS WERE EXERCISABLE AT 30 JUNE 2013.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

41. Share-based payment arrangements (continued)

(c) Long Term Incentive ("LTI") Plan (cash-settled)

The conditions of the performance rights granted for four overseas staff were modified as at 30 June 2012 so that they can only be settled in cash. All other conditions remain unchanged as per the governing LTI plan. At the date of settlement they will receive an amount of cash equal to the value of the shares they would have been entitled to assuming all terms and conditions are met. Three overseas staff were issued cash-settled performance rights in the year ended 30 June 2014 (Tranche 5).

No cash-settled performance rights were issued in the year ended 30 June 2013.

A summary of the movement in cash-settled performance rights for executives and other participants are as follows:

Tranche	Fair value at modification / grant date	Share price at date of modification / grant date	Expected volatility(i)	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested during the year Number	Balance at the end of year Number(ii)
2014									
Tranche 2	$0.527	$1.39	45%	4.68%	250,000	–	(250,000)	–	–
Tranche 3	$0.539	$1.39	45%	4.68%	250,000	–	–	–	250,000
Tranche 5	$0.425	$0.67	55%	4.50%	–	538,000	–	–	538,000
Total					**500,000**	**538,000**	**(250,000)**	–	**788,000**

(i) VOLATILITY HAS BEEN DETERMINED BY AN INDEPENDENT EXPERT REVIEWING SEDGMAN'S SHARE PRICE VOLATILITY OVER THE LAST FOUR YEARS FROM THE LAST REPORTING PERIOD WITH RESPECT TO MOVING AVERAGE PERIODS OF 90 DAYS, 120 DAYS, 1 YEAR, 2 YEARS AND 3 YEARS.

(ii) NO PERFORMANCE RIGHTS WERE EXERCISABLE AT 30 JUNE 2014.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

41. Share-based payment arrangements (continued)

(c) Long Term Incentive ("LTI") Plan (cash-settled) (continued)

Tranche	Fair value at modification date	Share price at date of modification / grant date	Expected volatility[i]	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested during the year Number	Balance at the end of year Number[ii]
2013									
Tranche 1	$1.390	$1.39	45%	4.68%	192,869	–	(96,434)	(96,435)	–
Tranche 2	$0.527	$1.39	45%	4.68%	290,725	–	(40,725)	–	250,000
Tranche 3	$0.539	$1.39	45%	4.68%	288,689	–	(38,689)	–	250,000
Total					**772,283**	–	**(175,848)**	**(96,435)**	**500,000**

(i) VOLATILITY HAS BEEN DETERMINED BY AN INDEPENDENT EXPERT REVIEWING SEDGMAN'S SHARE PRICE VOLATILITY OVER THE LAST FOUR YEARS FROM THE LAST REPORTING PERIOD WITH RESPECT TO MOVING AVERAGE PERIODS OF 90 DAYS, 120 DAYS, 1 YEAR, 2 YEARS AND 3 YEARS.

(ii) NO PERFORMANCE RIGHTS WERE EXERCISABLE AT 30 JUNE 2013.

The fair value of these rights is measured using a Monte Carlo pricing model taking into account the terms and conditions upon which the rights were granted and the current likelihood of achieving the specified targets.

The carrying amount of the liability relating to cash-settled performance rights as at 30 June 2014 is $30,084 (2013: $1,883).

(d) Expenses recognised in profit or loss

During the year ended 30 June 2014, a net credit to expenses of $0.048 million (2013: expense of $2.185 million) was recognised by the Group in respect of the LTI Plan, including both an equity-settled performance rights credit to expenses of $0.079 million (2013: expense of $2.470 million) and cash-settled performance rights expense of $0.031 million (2013: credit to expenses of $0.285 million).

The equity-settled amount was impacted by the forfeiture of rights by the former CEO.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

42. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014 $'000	2013 $'000
Result of the parent entity		
Profit/(loss) for the year	**5,663**	21,559
Other comprehensive income	**14**	(420)
Total comprehensive income for the year	**5,677**	21,139

	2014 $'000	2013 $'000 Restated
Balance sheet of parent at year end		
Current assets	**154,466**	158,650
Total assets	**304,467**	302,824
Current liabilities	**84,434**	78,228
Total liabilities	**115,278**	114,473
Equity		
Contributed equity	**116,212**	112,250
Reserves	**11,052**	11,113
Retained profits	**61,925**	64,988
Total equity	**189,189**	188,351

Bank guarantees and performance bonds have been given in respect of work in progress contracts and leased premises of the parent amounting to $32.162 million (2013: $30.923 million).

The parent entity did not have any other contingent liabilities as at 30 June 2014 or 30 June 2013.

(b) Guarantees entered into by the parent entity

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. No liability was recognised by the parent entity in relation to this guarantee.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 35.

(c) Commitments

(i) Capital commitments

There were no capital commitments contracted for at the reporting date but not recognised as liabilities (2013: nil).

(ii) Operating leases

	2014 $'000	2013 $'000 Restated
Non-cancellable Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**5,522**	4,954
Later than one year but not later than five years	**8,416**	11,922
	13,938	16,876

The parent entity leases buildings under operating leases expiring within the next 2.5 years (2013: 3.5 years). The leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on Fixed Increase Percentages and the Consumer Price Index.

The operating lease rental expense recognised in the year ended 30 June 2014 was $4.298 million (2013: $4.884 million). In the current year an onerous contract, as defined in note 46(r), relating to surplus lease space was recognised in other expenses increasing costs by $3.666 million (2013: nil).

(iii) Finance leases

	2014 $'000	2013 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**3,538**	1,638
Later than one year but not later than five years	**2,047**	5,585
Minimum lease payments	**5,585**	7,223
Less: Future finance charges	**(441)**	(872)
Total lease liabilities	**5,144**	6,351
Representing lease liabilities:		
Current	**5,144**	1,207
Non-current	**–**	5,144
	5,144	6,351

Due to the financing leases with ANZ and NAB being under annual revolving facilities, all outstanding commitments on these leases are classified as a current liability.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

43. Events occurring after the balance sheet date

Other than the dividend declared subsequent to year end (refer note 29), there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

44. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for liabilities for cash-settled share-based payments (refer to note 46(s)); and financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (refer to note 46(l)).

45. Changes in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies set out in note 46 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards.

AASB 10 *Consolidated Financial Statements (2011)*
AASB 11 *Joint Arrangements*
AASB 12 *Disclosure of Interests in Other Entities*
AASB 13 *Fair Value Measurement*
AASB 119 *Employee Benefits (2011)*
Annual Improvements to Australian Accounting Standards 2009–2011 Cycle
Amendments to AASB 136 *Recoverable Amount Disclosures for Non-Financial Assets (2013)*

The nature and effects of the changes are explained below.

During the year ended 30 June 2013, the Group early adopted AASB 9 *Financial Instruments (2010)* (AASB 9) with initial application from 1 July 2012. In accordance with AASB 9 the Group designated its investments in equity securities not held for trading that were formerly designated as "Available for Sale", as "Financial Assets at Fair value through Other Comprehensive Income" as disclosed in note 46(l). This results in all realised and unrealised gains and losses from these investments being directly recognised through other comprehensive income in the statement of profit or loss and other comprehensive income.

As a result of the application of AASB 9, during the year ended 30 June 2013, $1 million of unlisted equity securities were transferred from Available for Sale assets to Financial Assets at Fair Value through Other Comprehensive Income. These assets were written down during the year ended 30 June 2013 to $400,000 with the fair value losses of $600,000 being recognised through other comprehensive income in the statement of profit or loss and other comprehensive income.

(a) Subsidiaries

AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 *Consolidation and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities.* The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional application guidance. Under AASB 10, the Group controls an entity when the Group 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. The Group has reassessed its consolidation conclusions in light of the new control principles in AASB 10 and concluded that no changes are required. Accordingly, the adoption of AASB 10 has not resulted in any adjustments to the consolidated financial statements.

(b) Joint arrangements

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The adoption of AASB 11 has resulted in the Group re-evaluating the accounting for its interest in the Thiess Sedgman Joint Venture ("TSJV") and has reclassified its investment from a joint venture to a joint operation. As required by AASB 11, the change in accounting policy has been applied retrospectively and, as a consequence, the Group has derecognised its related investment in joint ventures at the beginning of the earliest period presented being 1 July 2012, and has accounted for assets, liabilities, expenses and income in respect of its interest in the joint operation. The change in accounting policy had no impact on the Group's net assets, items of equity, net profit or loss and earnings per share.

The quantitative impact to the consolidated statement of profit or loss, the consolidated statement of cash flows, the consolidated balance sheet and the progress claims in advance is set out in note 45(f) below. There was no restatement required in relation to the consolidated statement of profit or loss and other comprehensive income or the consolidated statement of changes in equity as a result of the adoption of AASB 11.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

45. Changes in accounting policy (continued)

(c) Disclosures of interests in other entities

As a result of AASB 12, the Group has expanded its disclosures about its interests in subsidiaries (see note 34) and interests in joint arrangements and associates (see note 36).

(d) Fair value measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. As a result, the Group has included additional disclosures in this regard (see note 37).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(e) Disclosures of recoverable amount for non-financial assets

The Group has early adopted the amendments to AASB 136 (2013). As a result, the Group is not required to disclose the recoverable amount of the Group's cash generating units, where there is no impairment.

(f) Summary of quantitative impacts

As a result of the adoption of AASB 11, certain amounts previously disclosed in the Group's historical consolidated financial statements have been adjusted to reflect the retrospective impact of the change in accounting policy adopted from 1 July 2013.

The following tables summarise the adjustments made to the Group's consolidated statement of profit or loss, consolidated balance sheet, consolidated statement of cash flows and progress claims in advance.

Impact on consolidated statement of profit or loss	**For the year ended 30 June 2013**		
	As previously reported $'000	**Change in accounting policy $'000**	**As restated $'000**
Continuing operations			
Revenue from services	448,914	17,727	466,641
Other income	6,922	134	7,056
	455,836	17,861	473,697
Expenditure			
Changes in construction work in progress	(35,835)	1,657	(34,178)
Raw materials and consumables used	(205,201)	(17,337)	(222,538)
Depreciation and amortisation expense	(20,071)	–	(20,071)
Employee expenses	(127,363)	–	(127,363)
Agency contract fees	(7,947)	–	(7,947)
Impairment of property, plant and equipment	(6,358)	–	(6,358)
Impairment of receivables	(7,601)	–	(7,601)
Other expenses	(31,423)	–	(31,423)
Finance costs	(2,795)	–	(2,795)
	(444,594)	(15,680)	(460,274)
Share of net profits/(losses) of investments accounted for using the equity method	2,136	(2,181)	(45)
Profit before income tax	13,378	–	13,378
Income tax expense	(3,950)	–	(3,950)
Profit for the year attributable to owners of the Company	9,428	–	9,428

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

45. Changes in accounting policy (continued)

(f) Summary of quantitative impacts (continued)

Impact on consolidated balance sheet	As at 30 June 2013			As at 1 July 2012		
	As previously reported $'000	Change in accounting policy $'000	As restated $'000	As previously reported $'000	Change in accounting policy $'000	As restated $'000
Assets						
Current assets						
Cash and cash equivalents	101,987	1,367	103,354	91,953	1,132	93,085
Trade and other receivables	91,853	(81)	91,772	166,396	3,988	170,384
Assets classified as held for sale	1,483	–	1,483	–	–	–
Current tax assets	4,158	–	4,158	–	–	–
Inventories	4,387	–	4,387	6,864	–	6,864
Total current assets	203,868	1,286	205,154	265,213	5,120	270,333
Non-current assets						
Trade and other receivables	–	–	–	741	–	741
Investments accounted for using the equity method	1,330	(825)	505	10,482	(10,482)	–
Financial assets at fair value through other comprehensive income	400	–	400	1,000	–	1,000
Property, plant and equipment	35,581	–	35,581	48,744	–	48,744
Deferred tax assets	6,477	–	6,477	9,151	–	9,151
Intangible assets	42,263	–	42,263	44,330	–	44,330
Total non-current assets	86,051	(825)	85,226	114,448	(10,482)	103,966
Total assets	289,919	461	290,380	379,661	(5,362)	374,299
Liabilities						
Current liabilities						
Trade and other payables	72,941	461	73,402	142,901	(5,560)	137,341
Interest bearing liabilities	5,750	–	5,750	1,653	–	1,653
Provisions	8,363	–	8,363	9,217	198	9,415
Current tax liabilities	744	–	744	15,885	–	15,885
Total current liabilities	87,798	461	88,259	169,656	(5,362)	164,294
Non-current liabilities						
Interest bearing liabilities	21,239	–	21,239	25,076	–	25,076
Provisions	2,585	–	2,585	1,417	–	1,417
Other	250	–	250	900	–	900
Total non-current liabilities	24,074	–	24,074	27,393	–	27,393
Total liabilities	111,872	461	112,333	197,049	(5,362)	191,687
Net assets	178,047	–	178,047	182,612	–	182,612
Equity						
Contributed equity	112,250	–	112,250	106,377	–	106,377
Reserves	7,059	–	7,059	6,388	–	6,388
Retained profits	58,738	–	58,738	69,847	–	69,847
Parent entity interest	178,047	–	178,047	182,612	–	182,612
Total equity attributable to equity holders of the Company	178,047	–	178,047	182,612	–	182,612

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

45. Changes in accounting policy (continued)

(f) Summary of quantitative impacts (continued)

Impact on consolidated statement of cash flows	For the year ended 30 June 2013		
	As previously reported $'000	Change in accounting policy $'000	As restated $'000
Cash flows from operating activities			
Cash receipts from customers	538,147	23,792	561,939
Cash payments to suppliers and employees	(477,631)	(28,836)	(506,467)
	60,516	(5,044)	55,472
Interest received	1,805	52	1,857
Financing costs paid	(2,204)	–	(2,204)
Income taxes refunded	522	–	522
Income taxes paid	(19,528)	–	(19,528)
Net cash from operating activities	41,111	(4,992)	36,119
Cash flows from investing activities			
Distributions and loans from/(to) joint venture partnerships	(5,227)	5,227	–
Acquisition of subsidiary, net of cash acquired	(2,626)	–	(2,626)
Acquisition of shares in associate	(804)	–	(804)
Proceeds from sale of shares in associate	254	–	254
Loan to associate	(561)	–	(561)
Repayment of loan by associate	561	–	561
Payments for property, plant and equipment	(5,258)	–	(5,258)
Proceeds from sale of property, plant and equipment	605	–	605
Acquisition of intangible asset	(615)	–	(615)
Net cash used in investing activities	(13,671)	5,227	(8,444)
Cash flows from financing activities			
Payment of financing transaction costs	(816)	–	(816)
Finance lease payments	(1,776)	–	(1,776)
Proceeds from borrowings	21,000	–	21,000
Repayment of borrowings	(22,183)	–	(22,183)
Dividends paid	(15,589)	–	(15,589)
Net cash used in financing activities	(19,364)	–	(19,364)
Net increase/(decrease) in cash and cash equivalents	8,076	235	8,311
Effect of exchange rate fluctuations on cash held	1,958	–	1,958
Cash and cash equivalents at 1 July	91,953	1,132	93,085
Cash and cash equivalents at 30 June	101,987	1,367	103,354

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

45. Changes in accounting policy (continued)

(f) Summary of quantitative impacts (continued)

Impact on progress claims in advance	As at 30 June 2013		
	As previously reported $'000	Change in accounting policy $'000	As restated $'000
Construction work in progress comprises:			
Contract costs and net profits to date	681,789	112,751	794,540
Less: Progress billings	(706,964)	(118,280)	(825,244)
Net construction work in progress	(25,175)	(5,529)	(30,704)
Net construction work in progress comprises:			
Amounts due from customers – trade and other receivables	10,135	–	10,135
Amounts due to customers – trade and other payables	(35,310)	(5,529)	(40,839)
	(25,175)	(5,529)	(30,704)

Reconciliation between the TSJV investment in equity accounted joint operation derecognised and the assets and liabilities recognised	1 July 2012 $'000
Investments accounted for using the equity method	10,482
Trade and other payables	(23,807)
Equity-accounted investments in joint operation derecognised at 1 July 2012	(13,325)
Share of underlying assets and liabilities:	
Cash and cash equivalents	1,132
Trade and other receivables	3,988
Trade and other payables	(18,247)
Provisions	(198)
	(13,325)

46. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented and have been applied consistently by Group entities, except for the changes explained in note 45.

(a) Basis of consolidation

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (refer note 46(g)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (refer note 46(l)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), 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 measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

(ii) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in an associate and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees, until the date on which significant influence or joint control ceases.

(vi) Interests in joint operations

A joint operation exists when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises the assets, liabilities, expenses and income in respect of its interest in the joint operation.

(vii) Transactions eliminated on consolidation

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

(b) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. All operating segments' operating results are regularly reviewed by the Group's CEO (the chief operating decision maker) 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 other income and foreign exchange losses.

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

(c) Foreign currency translation

(i) Transactions and balances

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity, except to the extent that the translation differences are allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are accumulated in the FCTR.

(d) Revenue and other income

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

(i) Rendering of services other than construction contracts

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST") payable to the taxation authority.

Revenue from design and project management services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract. The stage of completion is assessed by reference to an assessment of work performed.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognisable to the extent of costs incurred. An expected loss is recognised immediately as an expense.

The Group also generates revenue from the secondment of employees to the Thiess Sedgman Joint Venture at agreed charge-out rates.

(ii) Construction contracting

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.

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where management is satisfied that the costs will be recovered, revenue is recognised to the extent of costs incurred.

The stage of completion of a contract is measured by reference to an assessment of total costs incurred to date as a percentage of the estimated total costs of the contract.

(iii) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(iv) Dividend income

Dividend income is recognised as it accrues.

(v) Other income

All items of other income are recognised as they accrue.

(e) Income tax

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

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(e) Income tax (continued)

(ii) Deferred tax

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; differences relating to investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet 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 judgements about future events. New information may become available that causes the Group to change its judgement 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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(iii) Tax consolidation legislation

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. As a consequence, all members of the tax-consolidated group are taxed as a single entity.

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payment to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity. The members of the tax-consolidated group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its payment obligations and the treatment of entities leaving the tax-consolidated group.

(f) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer note 17). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities (refer notes 21 and 24). Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (refer note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of assets

The carrying amounts of the Group's non-current assets, trade and other receivables (refer note 46(i)), construction contract assets (refer note 46(w)), assets classified as held for sale (refer note 46(k)), financial assets at fair value through comprehensive income (refer note 46(l)) and financial assets at fair value through profit or loss (refer note 46(l)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

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 – "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised within expenses in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) 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 to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

(i) Recoverable amount of assets

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Receivables are individually assessed for impairment.

The recoverable amount of other assets or CGUs is the greater of their fair value less costs of disposal and value in use. 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 or cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within interest bearing liabilities in current liabilities in the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amounts are generally due for settlement within 30 days.

Trade and other receivables are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (refer note 46(g)). The amount of the impairment loss is recognised in profit or loss in expenses.

(j) Inventories

Inventories of spare parts and consumables are stated 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 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.

(k) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are presented separately from other assets in the balance sheet.

(l) Financial instruments

(i) Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

(ii) Measurement

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

(iii) Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

(iv) Financial assets measured at fair value

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognised as other income in profit or loss. These assets are classified as financial assets at fair value through profit or loss.

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income ("OCI"). For such investments measured at fair value through OCI, gains and losses are never reclassified to profit or loss, and no impairment is recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

(v) Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(m) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (including land and buildings) are stated at cost less accumulated depreciation (see below) and impairment losses (refer note 46(g)). The cost of self-constructed assets and acquired assets includes (i) the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, (ii) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (iii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is generally calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful lives in the current and comparative periods are as follows:

Buildings	50 years
Plant and equipment	2.5 – 10 years
Motor vehicles	3 – 7 years
Structural improvements	7 – 40 years
Leased plant and equipment	3 – 10 years

In respect of some plant and equipment, where the total operating hours reflect the useful life of an asset, a production unit approach to depreciation is adopted. An estimate of total operating hours for plant and equipment is determined, with depreciation based on the operating hours undertaken in each financial year. The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	Cumulative number of hours up to 10 years

Assets are depreciated from the date they are installed and ready for use, which is generally the date of acquisition.

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

(iv) Sale of non-current assets

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs). The gain or loss is recognised as income or an expense.

(n) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired (refer note 46(g)), and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(ii) Brands

Brands have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

(iii) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

(iv) Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(v) Amortisation

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 previous periods are as follows:

Brands	7.25 years
Customer contracts	1 – 7.25 years
Software	5 years

The amortisation period remaining for Enterprise Resource Planning software is two years and for other software is four years, with no amortisation remaining in relation to brands and customer contracts.

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

(o) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(p) Borrowings

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

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

(q) Finance costs

Finance costs include interest on borrowings using the effective interest method, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and unwinding of the discount on liabilities. 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.

(r) Provisions

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

(i) Dismantling

In accordance with the Group's applicable legal requirements, a provision for dismantling in respect of the Blair Athol CHPP is recognised.

The provision is the best estimate of the present value of the expenditure required to settle the dismantling obligation at the reporting date, based on current legal requirements and technology. Future dismantling costs are reviewed annually and any changes are reflected in the present value of the dismantling provision at the end of the reporting period.

(ii) Provision for make good

A provision for make good has been recognised in relation to the Group's legal obligation at the end of the occupancy lease for the head office premises.

(iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. An onerous contract provision has been recognised in relation to surplus property lease space held for $3.666 million (2013: nil).

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(s) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax. In instances where payment is not due within 12 months from the reporting date the obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

Non-accumulating non-monetary benefits such as housing and cars are expensed by the Group as the benefits are taken by the employee.

(ii) Long service leave

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via a long term incentive plan. Non-executive directors also receive a proportion of their annual remuneration in shares purchased on market.

- *Equity-settled*

  The fair value of performance rights 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 performance rights.

  The fair value of performance rights at grant date is independently determined using the Monte Carlo pricing model, which takes into account the terms and conditions upon which the performance rights were granted.

  The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest except where forfeiture is only due to market based performance criteria not achieving the threshold for vesting.

- *Cash-settled*

  The cost of cash-settled share-based transactions is measured at fair value at the grant date using a Monte Carlo pricing model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee expense.

- *Modification to plan terms*

  When the terms of equity-settled performance rights are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the plan are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

(iv) Bonus plan

The Group recognises a liability for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a liability where it is contractually obliged to pay an amount under the bonus plan or where there is a past practice that has created a constructive obligation.

(v) Superannuation

Contributions to defined contribution plans are recognised as an expense as they are made.

(vi) 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 terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or performance rights are shown in equity as a deduction, net of tax from the proceeds. Incremental costs directly attributable to the issue of new shares, options or rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Sedgman Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners of Sedgman Limited.

(u) Earnings per share

(i) Basic earnings per share

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

46. Summary of significant accounting policies (continued)

(u) Earnings per share (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) Construction work in progress

Valuation

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date.

Construction work in progress is carried at cost plus profit recognised to date based on the value of work completed less progress billings and less provision for foreseeable losses, allocated between amounts due from customers and amounts due to customers.

Cost includes both variable and fixed costs directly related to specific contracts, and those which can be attributed to contract activity in general and which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract.

Construction work in progress is presented as part of trade and other receivables in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. Where progress billings exceed cost plus profit recognised to date the net amount is presented in trade and other payables.

(x) Parent entity financial information

The Group has applied amendments to the *Corporations Act 2001* that remove the requirement for the Group to lodge parent entity financial statements. The financial information for the parent entity, Sedgman Limited, disclosed in note 42 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Sedgman Limited.

(y) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

47. New standards and interpretations not yet adopted

The following amendment to standards and interpretations are relevant to the current operations. It is available for early adoption but has not been applied in the consolidated financial statements of the Group:

- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part C – Financial Instruments* (effective from 1 January 2018). This amendment introduces a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. It also includes additional scope for components of general hedge accounting.

The potential effects on the adoption of the above amendment are yet to be determined.

Director's declaration

Sedgman Limited and its controlled entities
Director's declaration
30 June 2014

1. In the opinion of the directors of Sedgman Limited (the "Company"):

   (a) The consolidated financial statements and notes that are set out on pages 50 to 101 and the Remuneration report in the Directors' report, set out on pages 36 to 47, 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 35 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 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.

Russell James Kempnich
Chairman

Peter Richard Watson
Managing Director

Brisbane
27 August 2014

Independent auditor's report to the members of Sedgman Limited

Independent auditor's report to the members of Sedgman Limited

Report on the financial report

We have audited the accompanying financial report of Sedgman Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 47 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 year ended on that date; and

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

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

Independent auditor's report to the members of Sedgman Limited (continued)

Independent auditor's report to the members of Sedgman Limited (continued)

Report on the remuneration report

We have audited the Remuneration Report included in pages 36 to 47 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Sedgman Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Scott Guse

Scott Guse
Partner

Brisbane
27 August 2014

Additional shareholder information

Additional information required by the Australian Securities Exchange Limited (ASX) Listing Rules, and not disclosed elsewhere in this report is set out below.

Shareholdings as at 30 September 2014

Substantial Shareholders

Name	No of ordinary shares held	% of capital held
LEIGHTON HOLDINGS INVESTMENTS PTY LIMITED	83,234,018	36.66
COMMONWEALTH BANK OF AUSTRALIA LTD	21,689,355	9.55
RUSSELL KEMPNICH & RELATED PARTIES	16,480,442	7.26

Voting rights

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.

Distributions of equity security holders - ordinary shares

Range	Total holders	Units	% of Issued Capital
1 - 1,000	896	419,355	0.18
1,001 - 5,000	950	2,895,504	1.28
5,001 - 10,000	591	4,647,482	2.05
10,001 - 100,000	1,031	28,742,327	12.66
100,001 - 9,999,999,999	94	190,354,609	83.83
Rounding			**1.11**
Total	**3,562**	**227,059,277**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.60 per unit	834	781	307063

20 largest shareholders as at 30 September 2014

Rank	Name	Units	% of Units
1	LEIGHTON HOLDINGS INVESTMENTS PTY LIMITED	83,234,018	36.66
2	CITICORP NOMINEES PTY LIMITED	24,309,192	10.71
3	RUSSELL KEMPNICH & RELATED PARTIES	16,480,442	7.26
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	12,025,973	5.30
5	NATIONAL NOMINEES LIMITED	10,355,902	4.56
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,778,811	1.66
7	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,431,913	1.51
8	TJSMSF PTY LIMITED	3,306,180	1.46
9	UBS NOMINEES PTY LTD	3,195,156	1.41
10	BNP PARIBAS NOMS PTY LTD	2,641,102	1.16
11	MILTON CORPORATION LIMITED	2,021,674	0.89
12	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	1,938,849	0.85
13	MR CHRISTOPHER IAN WALLIN + MS FIONA KAY WALLIN	1,700,000	0.75
14	BOND STREET CUSTODIANS LIMITED	1,584,684	0.70
15	MR IAN THOMAS ATF IAN THOMAS FAMILY TRUST	1,467,414	0.65
16	PORTFOLIO SERVICES PTY LTD	1,045,338	0.46
17	CUNACT PTY LTD	1,000,000	0.44
18	CHRYSALIS INVESTMENTS PTY LTD ATF ELLIS SUPERFUND	859,669	0.38
19	INVIA CUSTODIAN PTY LIMITED	750,000	0.33
20	ROBERT MCDONALD & RELATED PARTIES	664,120	0.29
		175,790,437	**77.43**

Corporate Directory

Company

Sedgman Limited

ABN 86 088 471 667

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

Directors

Russell Kempnich, Chairman, Non-Executive Director

Peter Watson, Chief Executive Officer and Managing Director

Robert McDonald, Deputy Chairman, Independent Director

Donald Argent, Independent Director

Roger Short, Independent Director

Peter Richards, Independent Director

Antony Jacobs, Non-Executive Director

Company Secretary

Adrian Relf

Registered and Head Office

Sedgman Limited
Level 2, 2 Gardner Close
Milton QLD 4064
Australia

Tel: +61 7 3514 1000

Email: mail@sedgman.com

Website

www.sedgman.com

Share Registry

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
Australia

www.computershare.com

Independent Auditors

KPMG
Riparian Plaza
Level 16, 71 Eagle Street
Brisbane QLD 4000
Australia

www.kpmg.com.au

Securities Exchange Listing

Sedgman Limited is listed on the Australian Securities Exchange under the code “SDM”.

Sedgman Offices

Australia

Brisbane – Head Office
Level 2, 2 Gardner Close
Milton QLD 4064

Tel: +61 7 3514 1000

Perth
Suite 3, 3 Craig Street
Burswood WA 6100

Tel: +61 8 6255 0000

Gold Coast
Level 1, 193 Ferry Road
Southport QLD 4215

Tel: +61 7 5558 4200

Mackay
11, 121 Boundary Road
Paget (Mackay) QLD 4740

Tel: +61 7 3113 6560

Newcastle
Level 1, 24 Beaumont Street
Hamilton NSW 2303

Tel: +61 2 4989 3100

Townsville
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Bohle Industrial Estate
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Ulaanbaatar
Mongolia

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Knowledge & Innovation
Centre
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Yangpu District
Shanghai 200433
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RECYCLED

Sedgman Limited
ABN 86 088 471 667

www.sedgman.com

SEDGMAN