ASX RELEASE

23 October 2014

ASX Market Announcements
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Watpac Limited 2014 Annual Report

In accordance with Listing Rule 4.7, please find attached a copy of the Watpac Limited 2014 Annual Report.

Yours sincerely,
WATPAC LIMITED

Mark Baker
COMPANY SECRETARY


ANNUAL
REPORT
2014
WATPAC

Content

Chief Executive Officer's Report

For Watpac the 2014 financial year was one focused on strengthening our core businesses and capitalising on new opportunities as confidence slowly returned to the construction market.

As a business, the year has seen us move from a period of rationalisation to one where we are building on our strengths, subsequently allowing the Group to grow its workbook and implement various strategic priorities. This has placed us in the strongest possible financial position to deliver sustainable shareholder returns.

We have been successful in the growth of core businesses, particularly construction, securing projects across a number of sectors including health, education, defence and public private partnerships. This places us in good stead for FY15 and beyond.

We have also achieved a geographically diverse order book thanks to a number of project wins in regional New South Wales and our work in the Northern Territory and South Australia.

Our reputation for project excellence was recognised across the industry during FY14 with a number of projects receiving awards. One Central Park - Watpac's largest ever construction project - received a number of accolades in 2014 including being named the 'Best Tall Building' in the Asian and Australasian region by the Council on Tall Buildings and Urban Habitat based in Chicago, USA. It will now be judged as one of four regional winners for the overall '2014 Best Tall Building Worldwide' award which will be announced in November 2014.

Most recently this residential tower was announced as the Urban Taskforce's 'Development of the Year' and the winner of the Urban Development Institute of Australia's NSW Awards for 'High Density Development' and for 'Design & Innovation'.

A number of Queensland projects were recognised at the Queensland Master Builders Association's Brisbane Housing & Construction Awards. These were: the National Cricket Centre, the University of Queensland Advanced Engineering Building and the Translational Research Institute. Victoria's Craigieburn Library in Hume was also named the International Public Library of the Year, beating its counterparts in England, The Netherlands and Denmark.

Several Watpac Specialty Services and Construction team members were also recognised for their professional excellence at the Queensland Chapter of the Australian Institute of Building Awards in May. This is an outstanding result for the Group where we are fortunate to employ people who not only help clients achieve their project vision but also live the Watpac values.

Operational review

Contracting

Watpac's national contracting operations have continued to perform profitably, with a number of significant new projects in Queensland, New South Wales and Victoria. The Group has continued to compete vigorously and successfully, paving the way for the delivery of significant government projects and a number of landmark residential buildings.

As at 30 June 2014, Watpac's national construction business had a work in hand level of nearly $1.4 billion, a significant increase on last year's workbook. This work is geographically well spread and permits the business to respond to opportunities in all of our focused regions.

Over the past 12 months the construction sector has shown signs of improvement with both the private sector and government commencing a number of major projects. Due to the strategic positioning of Watpac over the past two years, the Group has been able to successfully tender and win a number of these projects ensuring a healthy forward workbook.

Some of these significant project wins during FY14 include the $350 million Queensland Schools PPP as part of the Plenary Schools Consortium; the $128 million Southpoint commercial office tower in Brisbane, Queensland; the $80 million STK Apartments in St Kilda, Victoria; and the $72 million 333 George Street office tower in Sydney.

Watpac's expertise in sporting infrastructure was also acknowledged with the Queensland construction division announced as managing contractor for the Queensland State Velodrome in Brisbane for the Gold Coast 2018 Commonwealth Games™. This follows the successful completion of the Gold Coast Aquatic Centre in June 2014.

The Group has also continued to lead the way in health-related construction with teams commencing work on the $83 million Nuclear Medicine Molybdenum-99 Facility in Lucas Heights, New South Wales; the $47 million stage one works of the new Mater Private Hospital in Springfield, Queensland and the $46 million Kempsey District Hospital Redevelopment in New South Wales. This is in addition to two projects being undertaken for Healthscope totalling almost $200 million – the new Gold Coast Private Hospital in Queensland, and the recently announced Knox Private Hospital expansion in Victoria.

Ongoing project delivery has been a main focus in the Northern Territory and South Australia as the Darwin International Airport Terminal Expansion Project and Adelaide's Mayfair Hotel approach completion.

The Group also successfully completed a number of landmark construction projects including the Ibis Adelaide Hotel, the Dandenong Municipal Library in Victoria, the Single Leap 2 projects at Lavarack, Duntroon, ADFA, Puckapunyal and Simpson Barracks, and most recently the Port Macquarie Base Hospital in New South Wales.

During FY14 Watpac Specialty Services continued to contribute solid profits to the Group, building on its reputation as construction and refurbishment solution specialists in the education, food, commercial and retail sectors.

From design management to programming and construction, major project wins for the speciality services team include a $12 million expansion of the Virgin Australia Business Lounge within the Brisbane Domestic Terminal Building for the Brisbane Airport Corporation. This complex project which is on track for completion in early 2015, involves the expansion of the terminal to house a larger Virgin Australia Business Lounge, and the relocation and upgrade of the Virgin Australia Valet area, within the fully-operational airport.

Watpac Specialty Services' expertise in the food sector and live-environment upgrades resulted in the contract to design and construct the Baiada Poultry Oakburn Protein Plant in Tamworth. The team is currently also delivering the New Services Building Plant Room and Fire Services Infrastructure upgrades at the Baiada Poultry Hanwood Facility in Griffith NSW, which are both due to be completed later this year.

The award winning UQ Advanced Engineering Building, Brisbane

Civil & Mining

Despite a challenging market Watpac's national mining operations and WA civil business contributed 24 per cent of the Group's work in hand as at 30 June 2014, with projects totalling nearly $450 million.

The positive financial performance of Watpac's national mining business is due in large part to its selective and sustainable business model, which focuses on long-term projects. The division's emphasis has remained on delivering quality outcomes for clients as we see the sector transition from project investment to project operations.

Opportunities remain in this sector and there were a number of notable operational highlights and project milestones during the past year, including the commencement of the Stage 4 seawall at Cockatoo Island Iron Ore Project and the Nullagine Iron Ore Project reaching record production levels – surface mining in excess of one million tonnes per month.

Moving in to FY15, the reputation of the division has been demonstrated with the announcement of Watpac being awarded a $29 million contract with Hanking Gold Mining to provide mining services at its Cornishman Pit, located at the centre of its Southern Cross operations.

For FY15 work in hand is steady, which places us in a prime position to pursue opportunities as the market recalibrates and we see new work coming through.

The Group's civil operations in Western Australia continued to perform well, with work continuing on a variety of small and medium projects.

Property

Our strategy to divest of Watpac Property real estate assets progressed well during FY14, achieving $54 million in unconditional sales.

Assets sold during the year included the Joule development site at 11 Breakfast Creek Road, Newstead, an operational Marina Facility in Urangan (Hervey Bay) and several retail shops in Coolum. In April 2014, Watpac also entered into an unconditional contract for the sale of the remaining Waterloo Junction development site for $40 million (Brisbane).

With the remaining property portfolio now valued at approximately $41 million, the focus for FY15 remains firmly on divesting those property assets in a prudent and timely manner. As we reach the tail-end of this strategy, the market is showing signs of improvement which will assist in our plan providing maximum value.

Outlook

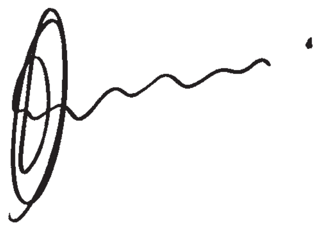
With a healthy work in hand position and strong reputation for the successful delivery of projects, Watpac is well positioned to capitalise on an improving construction market in Australia.

The Group enters FY15 with a national work in hand position of nearly $2 billion as at 30 June 2014, a positive outlook for our future operational performance and, in turn, shareholder value. As has been the way in FY14 we will continue to work with our major shareholder, BESIX Group, to explore joint opportunities for projects, where leveraging their international experience in construction, infrastructure and design can enhance our capabilities and create an expanded offering.

Our ultimate objective is to continue to build a strong and viable platform to focus upon shareholder value and convert prospects as they emerge within the market.

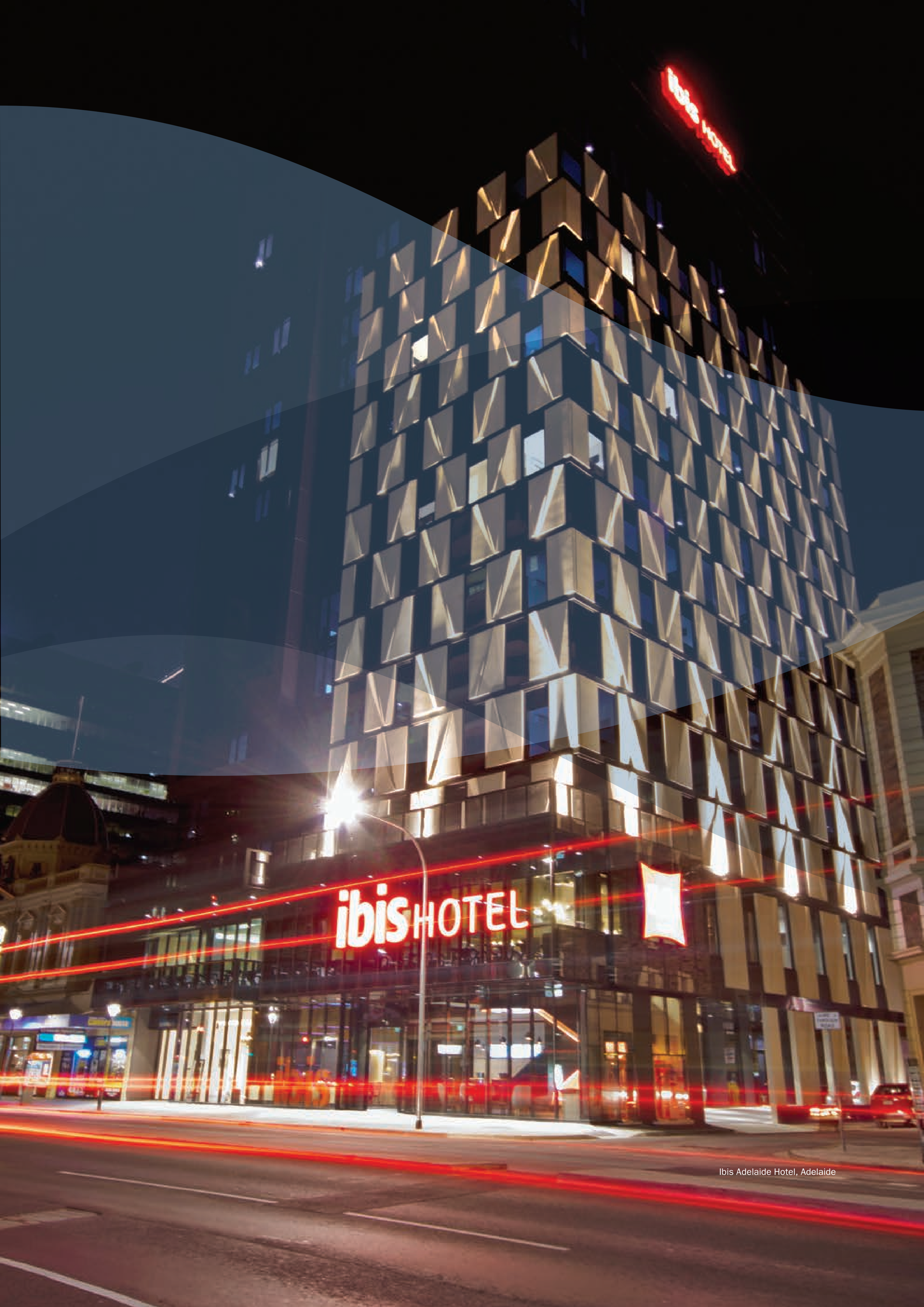
At an organisational level we remain committed to growing the capabilities of our people and maintaining the high standards of safety, quality and innovation that is representative of the Watpac brand.

Finally I would like to thank Watpac management and staff who have been an integral part of the Group's success. I look forward to continuing our work together as we build on the expertise and excellence we are known for in the year ahead.



Martin Monro
CHIEF EXECUTIVE OFFICER

WITH A HEALTHY WORK IN HAND POSITION AND STRONG REPUTATION FOR THE SUCCESSFUL DELIVERY OF PROJECTS, WATPAC IS WELL POSITIONED TO CAPITALISE ON AN IMPROVING CONSTRUCTION MARKET IN AUSTRALIA.



Ibis Adelaide Hotel, Adelaide

Chief Financial Officer's Report

Financial overview

Watpac Limited recorded a net profit after-tax for the year ended 30 June 2014 of $17.9 million, which compares to a prior year loss of $4.7 million.

The result represents a post-tax return on equity of 7 per cent and reflects basic earnings per share (EPS) of 9.65 cents, an increase from the FY13 statutory loss per share of 2.54 cents. The underlying operating profit after tax in FY14 is $18.4 million, up approximately 7 per cent from the underlying net profit after tax result recognised in the previous financial year (from continuing operations) of $17.2 million.

Contracting

The Group's national contracting business reported a pre-tax profit for the year of $25.8 million (FY13 $24.3 million), representing a pre-tax return on equity of 11.5 per cent. This return has been calculated after adjusting for $10.5 million in unallocated corporate overheads. The increase in profitability in FY14 was recorded notwithstanding a reduction in revenue when compared to the prior year, with achieved net project margins reflective of an improvement to the underlying fundamentals of this business.

For FY14, the national contracting business ended the year with a strong work in hand position of approximately $1.4 billion. While the immediate focus is on ensuring recently secured projects are delivered profitability in FY15, we are also similarly motivated towards enhancing the overall workbook for FY16 and beyond, as well as its geographical diversification. New work opportunities will be sought in a sensible manner, following appropriate analysis of inherent project risks and returns.

Civil & Mining

The Group's national mining and WA civil business reported a pre-tax profit for the reporting period of $15.2 million in FY14 (FY13 $18.6 million). After adjusting for $3.7 million in unallocated corporate overheads, this reflects a pre-tax return on equity of 9.6 per cent.

Watpac's investment in major mobile plant and equipment assets at 30 June 2014 was $150 million. Investment in new plant and equipment was modest in FY14, a reflection of the fleet now being of the size and scale necessary to execute all current mining services contracts.

A recent compression in contractors' margins, which is attributable to the current market cycle, means this business must focus on operational efficiencies and taking a more dynamic approach to capital management in order to maximise shareholder value. Achieving an improved return on equity will likely be challenging in the foreseeable future, however a more efficient approach to capital investment will assist in minimising the impact of lower headline margins.

Property

The Group's property business recorded a pre-tax loss of $1.7 million for the 30 June 2014 reporting period (FY13 $19.4 million pre-tax loss). This improved comparative financial performance mainly reflects the pre-tax net impairment charge of $15.6 million recorded in FY13, together with a decrease in holding costs on the reducing investment in property development inventory assets.

Continued progress has been made in delivering the Group's strategy to divest its portfolio of property assets and we remain committed to this.

Capital management

The Group ended FY14 with a substantial liquidity reserves, with cash and term deposits totalling $190.2 million at balance date and a net cash position of $115.4 million (FY13 $26.5 million). This movement in gross cash reflects a $52.5 million increase from the 30 June 2013 balance of $137.5 million.

Gross debt at 30 June 2014 was $74.8 million, down from $110.9 million in the prior year, and relates solely to equipment financing facilities allocated to the national mining and WA civil business. The Group has no significant off-balance sheet lease commitments relating to plant and equipment assets at 30 June 2014 with such commitments mainly relating to the provision of bank guarantees and surety bonds as performance security for projects being completed by the Group's contracting businesses.

During the second half of FY14 the Group finalised a new $105 million syndicated banking facility with leading domestic and international financial institutions, comprising ANZ, BNP Paribas, BOQ and HSBC. This three year syndicated facility expands Watpac's existing bank guarantee facility to $80 million and establishes a new $25 million revolving credit facility.

In FY14 Watpac also established a new $25 million equipment finance facility with Challenger Financial Services, which accords with the current strategic plan around optimising debt capital funding sources for the national mining and WA civil business. Additional enhancements to this structure are anticipated in FY15.

Watpac's $115.4 million net cash position at year end FY14 is reflective of the conservative capital structure employed at present, and the level of liquidity reserved in anticipation of future expansion in the Group's core businesses, particularly contracting.

Being financially strong will enable Watpac to take advantage of current market opportunities, and differentiate the Group from many of its competitors. With strong liquidity, expanded banking relationships and access to debt and equity capital markets, Watpac has a unique service offering, particularly over contractors operating in private company structures, in markets where financial strength, transparency and contractor solvency is vitally important.

Several years ago in an environment of internally competing equity allocation interests, a substantial non-income producing property cost base and difficult market conditions, the Group developed a conceptual capital management plan. Pleasingly Watpac has now not only delivered on its forecasts, but has a clear plan of what is available and how to best allocate capital to the business units to maximise shareholder value.

Risk management

With an increasing workbook across Watpac's contracting businesses and an enhanced focus on counterparty credit risk assessments across all business units, the Group is more conscious than ever on ensuring all new work can be delivered profitably. In this context, pre-contract risk management and due diligence processes must be robust, and this has been a major focus during FY14 and will continue to be so into the 2015 financial year.

These recent improvements in relation to the Group's pre-contract risk management processes and procedures will also expand more into the delivery phase over the next 12 months, with all of Watpac's risk management practices subject to continuous refinement in the context of changing market conditions and systemic risks. A structured internal audit program has already been agreed for the 2015 financial year and this will be used to ensure continuing compliance across the Group with our internal policies.

Outlook

Following a difficult previous two financial years, which involved a substantial write down to property inventory carrying values (in FY12) and significant losses attributable to the now discontinued east coast civil operations (both in FY12 and FY13), the main focus in FY14 was on Watpac's core continuing businesses in contracting and national mining and WA civil, and delivering value for shareholders.

Together with overhead cost reduction initiatives, these core operations have delivered a solid financial result in FY14, facilitating a return to dividend payments and no doubt contributing to a substantial increase in the Watpac share price over the course of the 2014 financial year. In this regard it is pleasing that total shareholder return in FY14 was 51.8 per cent, the highest it has been over the past five years. The challenge however, is for this to continue.

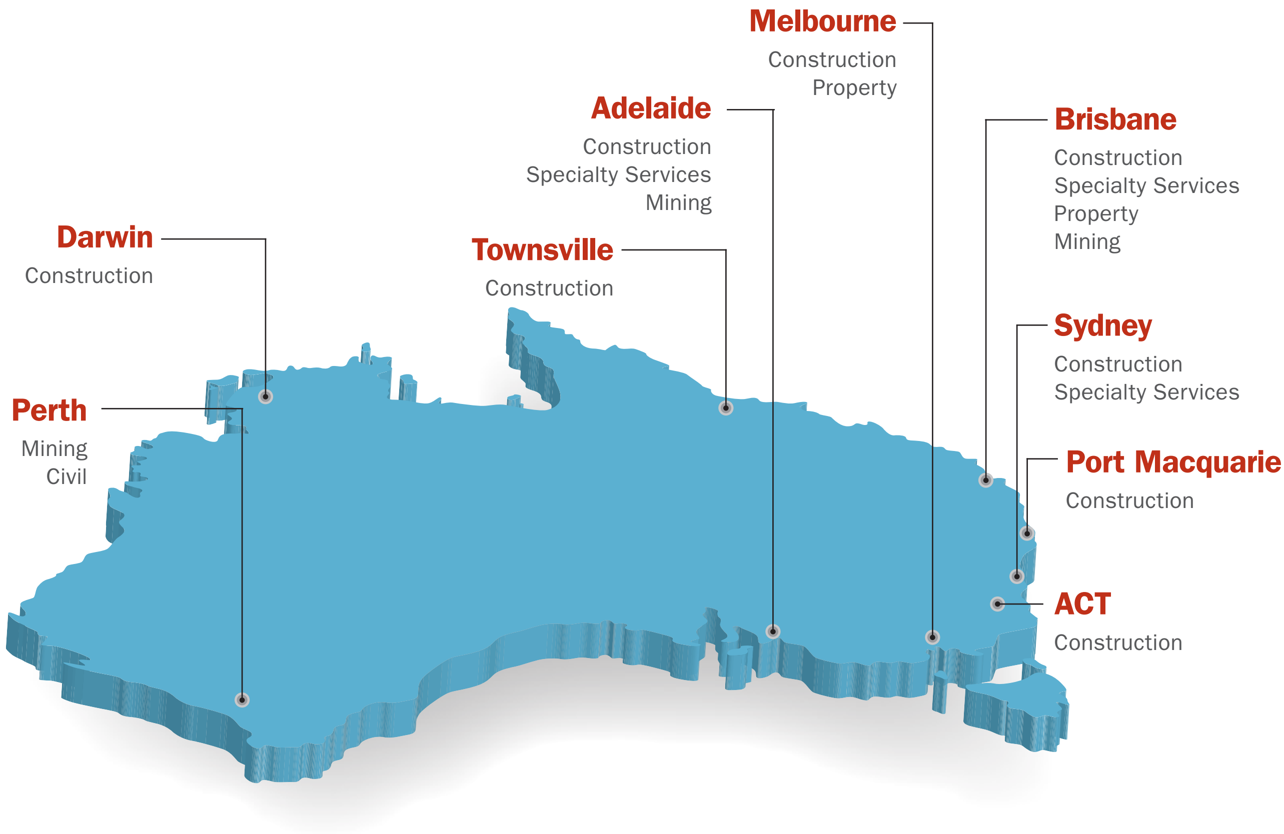
While there is still much work to do in order to reach our internal return on equity targets and to be able to deliver these consistently, the FY14 result represents a demonstrated improvement that can be built upon in future reporting periods.

Positive financial results, a vastly improved balance sheet and enhanced risk management practices bode the way for enhanced shareholder value. While risks will always be apparent in our business, we at least now have the tools available to monitor and mitigate these, and the capital base to grow in our chosen markets.

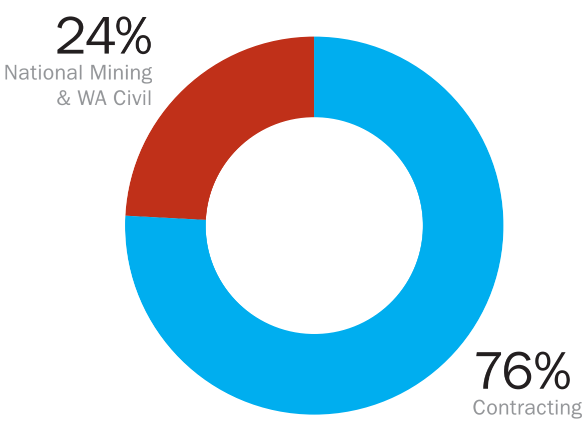
Mark Baker
CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

POSITIVE FINANCIAL RESULTS, A VASTLY IMPROVED BALANCE SHEET AND ENHANCED RISK MANAGEMENT PRACTICES BODE THE WAY FOR ENHANCED SHAREHOLDER VALUE.

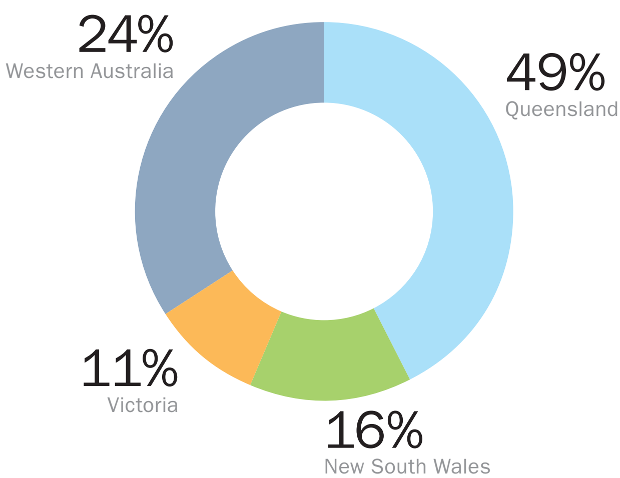
Operational overview



Work in hand by product type (as at 30 June 2014)

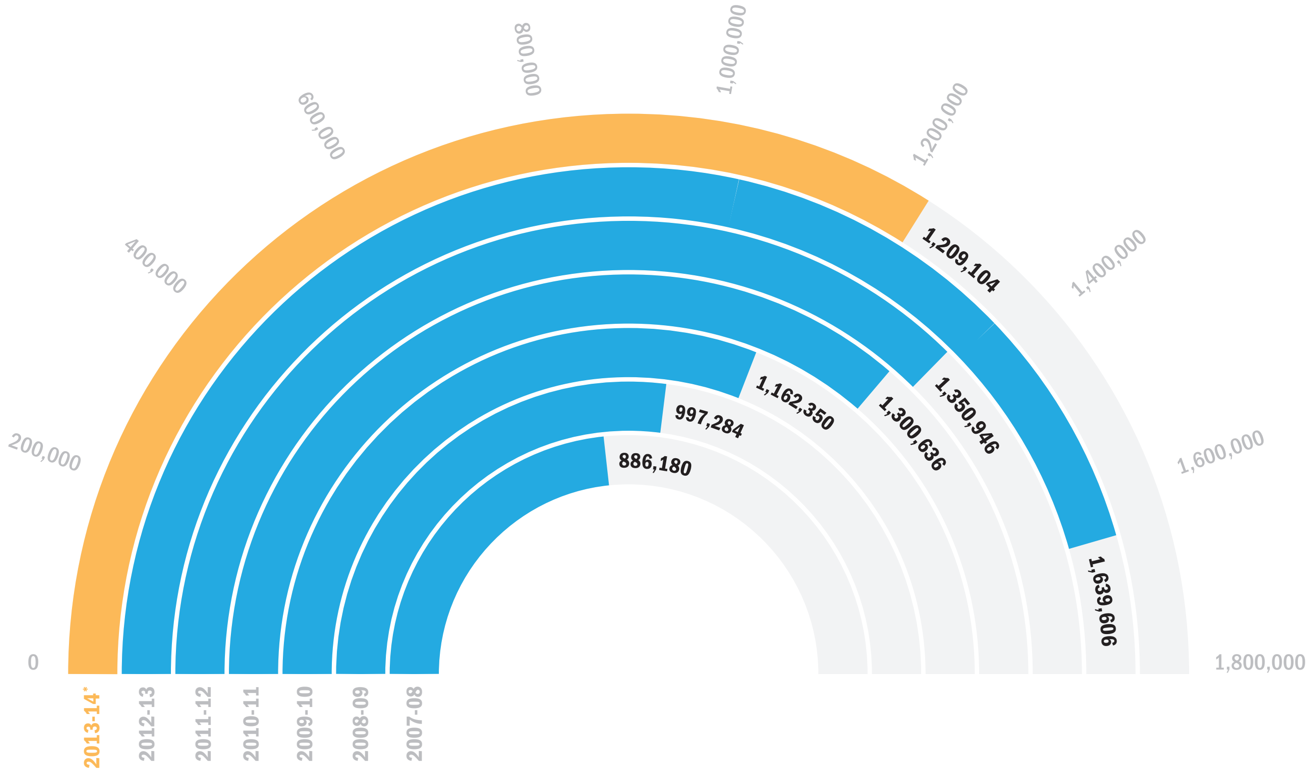


Work in hand by region (as at 30 June 2014)



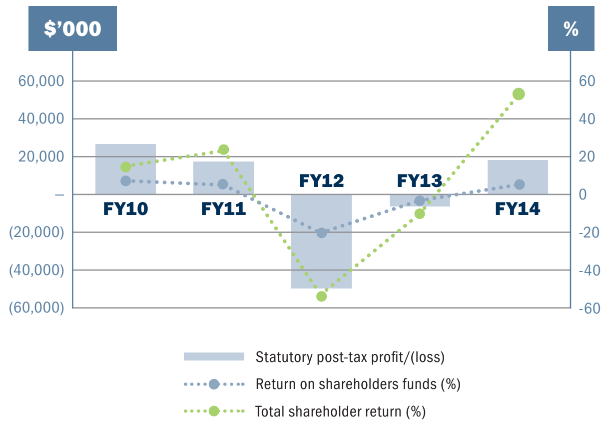
Turnover

(in the thousands of AUD $'000)

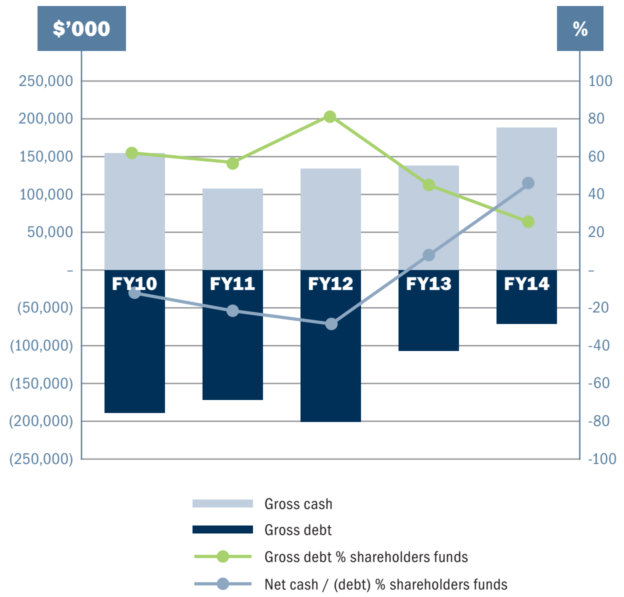


*Decrease mainly reflects the removal of discontinued east coast civil operations.

Results and returns



Liquidity



Creating landmarks 2014

Iconic infrastructure

One Central Park, Park Lane and The Mark

Watpac completed its largest project in the Group's history in June 2014 – the $600 million Central Park precinct. The project comprised five separate towers within three residential complexes – One Central Park, Park Lane and The Mark – as part of the $2 billion development by joint venture partners Frasers Property Australia and Sekisui House Australia. The precinct has become a community landmark due to its striking architectural design incorporating living green walls, a sky deck and the iconic heliostat, which produces a light show every evening, as shown on the cover of this year's Annual Report.

One Central Park, the largest of the precinct's residential towers has received a number of accolades in 2014 including being named the 'Best Tall Building' in the Asian and Australasian region by the Council on Tall Buildings and Urban Habitat based in Chicago, USA.

Most recently the residential tower was announced as the Urban Taskforce's 'Development of the Year' and the winner of the Urban Development Institute of Australia's NSW Awards for 'High Density Development' and for 'Design & Innovation'.

Gold Coast Aquatic Centre

The Gold Coast Aquatic Centre was officially completed in June 2014 with the world-class facility hosting its first international meet, the 2014 Pan Pacific Swimming Championships, in August. A joint State Government and City of Gold Coast initiative, the centre will be a main feature in the Gold Coast 2018 Commonwealth Games™.

Gold Coast Aquatic Centre, Gold Coast

333 George Street

Watpac has commenced work on 333 George Street in the heart of Sydney's CBD. The new tower will be located on the corner of Martin Place and George Street and involves the demolition of an existing 14-level building and the construction of a 15-level A-Grade office, three levels of premium retail, rooftop terraces and basement parking. Work is scheduled for completion in mid-2016.

Delivering results

Nullagine Iron Ore

Watpac has been providing contract mining services at the Nullagine Iron Ore operations since late 2010. The $300 million BC Iron Mining project is located in the remote Pilbara region of Western Australia. The five-year contract involves surface mining of all material, as well as crushing and screening of the ore.

Mt Magnet Gold Mine

Mt Magnet Gold Mine is located approximately 600km north east of Perth in Western Australia's Central West. The five-year mining contract commenced in 2011 and involves re-establishing the existing mine as an open cut operation within the Galaxy tenement. The project involves drill and blast, load and haul of waste and ore, and feeding the client's gold processing facility. The mine produces 70,000 ounces of gold per annum. Production in 2013/14 has been reduced slightly in line with the lower gold price. Currently Watpac's 200 tonne class excavator and Cat 777 fleet are operating close to the bottom of the original Saturn pit, some 150 metres below the pit exit. Watpac continues to work closely with our client to achieve a safe and profitable mining operation.

Building futures

Queensland Schools Project PPP

As part of the Plenary Schools consortium, Watpac is building 10 new schools for the Queensland Government. Watpac's component of the works program involves the design and construction of new schools in Pimpama, Burpengary, Pallara, Ripley Valley, Springfield, Griffin, Bellbird Park, Caboolture and Redbank Plains. The construction program is part of the State's $1.517 billion investment over the 30 year PPP concession term delivered in partnership with Plenary Group and Delta FM Australia. The five-year construction program commenced in January 2014 and is expected to create more than 3,000 jobs throughout the life of the project.

Charles Sturt University Port Macquarie Campus

Watpac is delivering stage one of the Charles Sturt University's permanent campus at Port Macquarie. Works include the construction of teaching and research areas, staff office accommodation, an Indigenous Student Centre, outdoor learning spaces and a specialist research facility for food, soil and water. Car parking for students and staff will also be delivered as part of the works, allowing for up to 350 vehicles. Construction will be completed in time for students to commence at the campus in February 2016.

Brisbane Girls Grammar School Year 7 and Research Centre

Watpac commenced construction on this major school upgrade in September 2013 after successfully completing the design phase of the project. Watpac is responsible for the design management, programming and construction of a new seven-storey building to deliver integrated teaching spaces, administration support facilities, and a new library facility. Operating within a live school environment, Watpac has established extensive processes and communication procedures to limit the project's impact to the school's activities in 2014. Construction is scheduled for completion in readiness for the 2015 school year.

Growing cities

180 Brisbane

Work is continuing on the prestigious 180 Brisbane office tower in Brisbane. The 34-storey building is being developed by Daisho Co Ltd and will feature 59,100 square metres of A-Grade commercial and retail space. The $210 million project is designed to achieve a 6 Star Green Star rating by the Green Building Council of Australia. The project is scheduled for completion in late 2015.

180 Brisbane office tower, Brisbane

STK Residential Apartments

Watpac has commenced work on the prestigious STK Apartments residential tower on St Kilda Road for Caydon Property Group. Upon completion the 26-storey tower, which includes a five-level podium and a four-level basement, will be the tallest building in St Kilda. STK Apartments will feature 328 luxury residences, a private garden and pool with resort amenities, a fitness centre and art gallery. The project is scheduled for completion in early 2016.

Leicester Street Student Accommodation

Work commenced in June 2014 on the Leicester Street Student Accommodation Project for Campus Living and the University of Melbourne. The design and construct project will deliver a 14-level, 648-bed student accommodation facility in Parkville, Melbourne. Construction is scheduled for completion in late 2015, ready for the 2016 school year.

Dandenong Municipal Building

The new Municipal Building for the City of Greater Dandenong achieved practical completion in March 2014. The five-storey building houses the city's new administration offices, a public library, a council chamber, community meeting rooms and a variety of retail stores. The project included the construction of a new civic square to accommodate up to 2,500 people and is targeting 5 Star Green Star and 4.5 Star NABERS ratings in both design and construction.

Darwin International Airport Expansion

Watpac's first construction project in the Northern Territory commenced in May 2013 and is due for completion in the coming months. The design and construct project involves the expansion of the domestic and international terminals and delivering additional departure gate lounge areas and security screening zones, new office and retail areas, and improved baggage systems.

Ibis Adelaide Hotel

The new premium economy Ibis Adelaide Hotel, located in the heart of the CBD reached practical completion in June 2014. The hotel was developed by Hines Property and is managed by global hotel group Accor. As the largest Ibis hotel in the country, the 17-storey building features 311 hotel rooms, conference and meeting facilities, a guest lounge, food and beverage retail, and a fitness centre.

Dandenong Municipal Building, Dandenong

Health in focus

Watpac leads the way for world-class health facilities

Over the past two years Watpac has led the way in the design and construction of health and science facilities, delivering health-related projects totalling more than $1.1 billion along Australia's eastern seaboard.

The Group's reputation and experience in the technical design and management of health projects has provided a distinct advantage for delivering world-class facilities for clients.

In Queensland, the Group is currently delivering the $148 million Gold Coast Private Hospital, construction works valued at $47 million for stage one of the new Mater Private Hospital, west of Brisbane and Queensland Health's $14 million Sub-Acute Facility in Townsville. These projects are in addition to the recently completed Queensland Institute of Medical Research and the PC3 Laboratories at Griffith University.

The portfolio of health projects in Queensland has kept the Watpac Construction team busy according to QLD/NT State Manager, Drew Brockhurst.

"Watpac has become known for its expertise in healthcare and our team continues to deliver complex projects that not only exceed clients' expectations but set the standard for hospitals, and research and health education facilities," Mr Brockhurst said.

"Every project has its own complex needs and requirements, in addition to meeting health care regulations, and we are delivering some exciting projects that are going to pave the way for the future."

Mater Private Hospital, Springfield

One such project is the new Mater Private Hospital Springfield, which will form part of a 'Health City' – a 52-hectare master planned health and wellness precinct designed by Springfield Land Corporation in collaboration with Harvard Medical International.

"The project involves the construction of a six-level, 10,000 square metre hospital comprising four operating theatres, an inpatient unit, a day surgery unit and Greater Springfield's first cancer care centre, so we are setting the scene for the greater precinct which will follow.

"This really is Watpac leading the way in quality healthcare buildings."

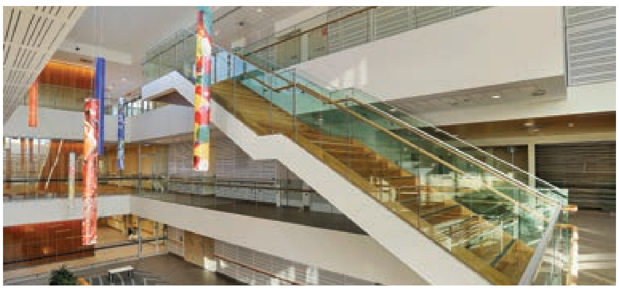
From hospitals to nuclear medicine production facilities, the New South Wales team has worked on four health-related projects this financial year, three of which are in regional areas.

For NSW/ACT State Manager, Ric Wang, the decision to establish an office on the mid-north coast has been the catalyst for the procurement of regional health opportunities.

"We have now established a permanent office in Port Macquarie and this has been pivotal to our success in being awarded the contracts for the $68 million Port Macquarie Base Hospital Expansion Project, which we recently completed; the $46 million redevelopment project for the Kempsey District Hospital; and UNSW's $14 million Joint Health Education Facility," Mr Wang said.

The Group is also helping Australia to become a global, high end manufacturer of nuclear medicines, with Watpac commencing site works in April 2014 for a brand new nuclear medicine facility for the Australian Nuclear Science and Technology Organisation (ANSTO).

The $83 million contract will deliver a new multi-level 4,250sqm facility which will significantly increase ANSTO's capacity to produce the radioisotope molybdenum-99 – an active pharmaceutical ingredient used in more than 45 million nuclear medicine diagnostic procedures each year worldwide.


Port Macquarie Base Hospital, Port Macquarie

Port Macquarie Base Hospital, Port Macquarie

People, safety and sustainability

People

The ongoing education and skills development of Watpac's workforce remains a key responsibility for the business, ensuring excellent project outcomes, a steadfast commitment to safety and the living of our corporate values.

Over the past 12 months a significant investment in our people has been made with the continuation and growth of our leadership development suite of programs. These programs are tailored to all employees from those new to the business right through to experienced senior leaders.

For Watpac's young, talented and recently graduated employees the Young Professionals Program (YPP) provides an exciting development experience designed specifically to build critical business skills while seeing the diversity of our operations first hand. In 2014, 20 attendees, including 15 male and five female, from all areas of our business attended the three day program which included project site visits and networking with Watpac's senior leaders.

The development of our leaders across all levels was another focus for the year with more than 100 employees from across all regions having completed or completing Watpac's Supervision Essentials program. Of those, 30 are undertaking additional accreditations to be awarded a nationally recognised qualification in management.

The engagement and retention of our very best people is a priority for Watpac as we further strengthen our culture and business. Across the Group numerous employees have completed nationally accredited qualifications from a variety of fields including occupational health and safety, building and construction, site operations and project management.

By investing in our people we invest in Watpac's success which allows us to support charities and community organisations such as Ronald McDonald House Charities. In FY14 we were proud to continue our partnership with this important organisation which helps many families while their child receives medical treatment.

Diversity at Watpac

Watpac employs more than 1,150 people across the country and is committed to providing an inclusive workplace and an organisational culture that embraces diversity and equality. To achieve this, the Group's Diversity Policy provides a framework that fosters gender diversity, equal employment opportunity and career planning and development, and values the contribution of employees with diverse skills, backgrounds and experiences.

Watpac is committed to the following measurable objectives to achieve workplace diversity:

- Improving gender diversity in non-traditional industries and locations.
- Maintaining an equitable remuneration structure.
- Enhancing diversity within the Group's training and career development initiatives.

Despite operating in business sectors that have traditionally had a low representation of women, Watpac recognises that innovation is the product of a diverse, inclusive and supportive workplace culture. The Group's recruitment process highlights its commitment to attracting the best quality candidates regardless of gender. While 2014 saw a slight decrease in females employed in non-traditional roles (51 to 50 as at 30 June 2014), this was due to a general reduction in the workforce, now representing 4.42 per cent of the total, as opposed to 4 per cent at 30 June 2013.

WGEA Report

In May 2014, in accordance with the requirements of the Workplace Gender Equality Act 2012, Watpac lodged its annual public report with the Workplace Gender Equality Agency. The report was compiled using organisational data for the 2013 calendar year and a copy is provided on Watpac's website at www.watpac.com.au. For more information on the reporting process and guidelines, please refer to the Agency's website at www.wgea.gov.au.


WATPAC
WATPAC
www.watpac.com.au

Safety

At Watpac we believe that honest implementation and visible leadership, without shortcuts, is the key to a safe operating environment.

Safety is our first consideration in all that we do. As a leading national company, Watpac is committed to upholding the highest possible safety standards across our business. Our unwavering duty of care is embedded in our values, organisational culture and operating systems, and is an inherent part of how we carry out our business every day.

Watpac's Safety Management System is third party certified to the Australian Standard 4801. The system is accredited by the Office of the Federal Safety Commissioner and each State Workplace Health and Safety Authority.

Contracting

Watpac's national 'STOP. THINK. ACT. WORK SAFE. HOME SAFE.' campaign is embedded across the business as a cornerstone to ensure our people work safely, and return home safely, every day.

Nationally, Watpac Construction worked 6.05 million hours in the 2014 financial year and delivered a strong safety performance, continuing its standard of recording Lost Time Injury Frequency and Medical Treatment Injury Rates well below the industry average.

The Group's largest project, the $600 million Central Park precinct, was completed in June with a Lost Time Injury Rate well below the industry average. The project, which incorporated five residential towers, took over four million man hours to complete and involved some very high risk construction activities, some of which had never been undertaken in the world before. The safety metrics achieved on the project are a testament to a team that put safety first.

During FY14 Watpac's national approach to safety, the 'Work Health & Safety Strategic Plan 2013-2018', continued to be implemented. Articulating the Group's safety philosophy and culture in addition to specific, measurable outcomes to each of the company's core values, the Plan provides a platform for the Group to demonstrate its ongoing due diligence responsibilities. This strategy continues to be endorsed by the Board who undertake regular safety inspections at project sites, reinforcing our message that safety requires visible leadership at all levels.

Civil & Mining

Watpac Mining & WA Civil is committed to upholding the highest possible safety standards, quality of work and environmental protection as part of its national Health, Safety, Environment and Quality systems.

Nationally, the division worked 1.68 million hours in the 2014 financial year and maintained low Lost Time Injury and Medical Treatment Injury Frequency Rates.

The division has implemented a number of initiatives to enhance its safety culture including conducting a 'Safety Culture' survey to benchmark existing attitudes and expectations within the business. Results will guide action plans to be developed and implemented at a division unit and site level.

An HSE Leadership Program was also developed for all personnel in the business with HSEQ leadership responsibilities, ensuring teams on the ground are being led by those living the Watpac safety values.

Lifting the heliostat into place during construction of One Central Park in Sydney

Working safely in remote locations is a priority for Watpac Civil & Mining

Sustainability

Watpac recognises that operating in a sustainable, responsible manner is an important business practice which enhances value for shareholders and in turn the employees and communities in which we operate.

The Group's commitment to upholding the highest possible standards of sustainability ensures a positive, lasting legacy economically, environmentally and socially.

Watpac's Environmental Management System is ISO-14001:2004 certified and our environmental protection processes are entrenched within the Group's wider quality assurance procedures.

Watpac has been a member of the Green Building Council of Australia (GBCA) since 2008 and has maintained close relationships with the GBCA through direct liaison and involvement in GBCA's various Technical Working Groups (TWGs) whereby members of the industry are purposely selected to provide advice and expertise to assist in shaping the GBCA's benchmarking system. To date, Watpac's involvement includes active contributions by relevant employees in GBCA's Rating Tool Development TWGs and the GBCA State Industry Groups.

Watpac has and continues to successfully undertake significant and high profile Green Star projects nationally. This financial year the Group commenced work on several new Green Star projects including Brisbane's Southpoint office tower and Sydney's 333 George Street. Both the Southpoint and 333 George Street projects are targeting a 5 Star Green Star Office v3 rating and a 5 Star NABERS Energy Rating, with 333 George Street also targeting a 3 Star NABERS Water Rating.

A number of continuing projects were awarded Green Star Design rating with 180 Brisbane formally awarded a 6 Star Green Star Design rating, with the As-Built rating to be achieved after practical completion.

Watpac's largest construction project undertaken to date, One Central Park, has now been awarded four 5 Star Green Star Design ratings under the Green Star - Multi Unit Residential v1 and Green Star - Retail v1 rating tools. Watpac is currently finalising the four corresponding Green Star As-Built submissions on the project, all targeting 5 Stars.

In Victoria, work commenced on the Leicester Street Student Accommodation Project for the University of Melbourne, which is designed to achieve a 5 Star Green Star Design Rating under the Multi-Unit Residential v1 tool.

Work also continued on two sustainable building projects – the Dandenong Municipal Building and the Cardinia Shire Council Offices. Both projects have achieved a Green Star 5 Design rating. It is expected that they will achieve the 5 Star As-Built rating by December 2014.

Watpac's sustainability objectives

- Improve resource efficiency by developing baseline data across our operations, against which resource expenditure can be measured.
- Establish specific and measurable targets against key sustainability focus areas: our clients, our people, our supply chain, the environment and resource efficiency.
- Maintain high standards of business.
- Strengthen our corporate profile around sustainability.
- Engage and influence our supply chain on materials purchased and procured to improve the sustainability performance on all our deliverables.
- Maintain ISO-14001 accreditation and strive for zero legitimate complaints and infringements for environmental impacts.
- Influence and engage employees on our sustainability journey through active participation and effective communication.
- Continue to liaise with government and industry groups to improve the performance outcomes for the benefit of our wider industry.

Leadership

RICHARD McGRUTHER

JOHAN BEERLANDT

CARLO SCHREURS

BRAD BOWTON

Board of Directors

Richard McGruther, OBE FCA

CHAIR, NON-EXECUTIVE DIRECTOR

Mr McGruther complements the Board's desire for quality with his experience in corporate and financial management. He is currently a consultant to Bentleys, a national chartered accountancy firm, with a particular focus on aged care services. Mr McGruther is a former board member of the Queensland Events Corporation Ltd, and former Chairman of QRU Limited and ARU Limited and was awarded an Order of the British Empire (OBE) for his services to the community and sport.

Johan Beerlandt

NON-EXECUTIVE DIRECTOR

Mr Beerlandt is Chief Executive Officer and Chairman of Belgium's largest construction company, BESIX Group, and has extensive expertise in the international contracting sector. Mr Beerlandt joined BESIX Group in 1974 and has overseen the delivery of major projects in Europe, Africa and the Middle East. Under his leadership, BESIX has grown from a traditional civil and building construction company to a multidisciplinary organisation, achieving revenues of over $3 billion in 2013 and operating in 18 countries worldwide.

Mr Beerlandt is a Director of the Management Board of the Belgian Federation of Enterprises (FEB-VBO), a Member of the Advisory Board of ING Bank, and Chairman of the Arab Belgian Luxemburg Chamber of Commerce. He has a Masters of Civil Engineering and Architecture from the University of Ghent in Belgium and completed The General Manager Program at Harvard University.

Carlo Schreurs

ALTERNATE NON-EXECUTIVE DIRECTOR (FOR JOHAN BEERLANDT)

Mr Carlo Schreurs, Deputy General Manager of BESIX International and Member of BESIX Contracting Management Board, has been appointed as Alternate Director for Mr Beerlandt. Mr Schreurs has a Master of Engineering from the University of Leuven in Belgium and joined BESIX Group in 1982. Through his 32 year international career, he has acquired worldwide experience in the different disciplines of the contracting businesses. Within the BESIX Group Mr Schreurs is currently responsible for the Group's activities in Australia (residing in Perth) and the Group's strategic development and new markets.

Brad Bowton

NON-EXECUTIVE DIRECTOR

Mr Bowton is one of the founding Directors of CACE Partners, a boutique management consulting firm based in Sydney which specialises in strategic problem-solving and operational performance improvement. Prior to joining CACE Partners, Mr Bowton founded his own consulting firm and worked as a management consultant at Bain International and McKinsey & Company. He also worked as an investment banker with Morgan Stanley International and Salomon Brothers. In his 20 year career as a management consultant,

Mr Bowton has assisted Australian, NZ, US and Asian CEOs, Boards and Senior Managers across a broad range of industries, focusing primarily on the financial services and property sectors for the past 15 years. Mr Bowton has an MBA from the Wharton School of the University of Pennsylvania and a Bachelor of Science in Economics from the University of Pennsylvania. He is also a Director of QIC.

Garret Dixon

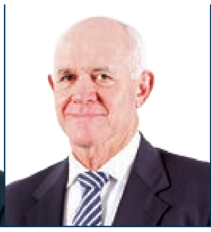
NON-EXECUTIVE DIRECTOR

Mr Dixon is an experienced and accomplished senior executive with extensive experience in the resources, transport and contracting sectors in Australia and overseas. His work in both private and ASX listed companies spans more than three decades, having worked in senior executive roles for major mine owners, mine operators and contractors in the iron ore, gold, coal, nickel and bauxite commodities markets. Mr Dixon commenced his career as a civil engineer for the Federal Government in 1981, overseeing major civil infrastructure projects in South Australia and the Northern Territory. In 1988, he joined civil construction and contract mining group Henry Walker Eltin Ltd, where he worked for 18 years in various positions including Executive General Manager, HWE Mining, prior to joining Mitchell Corporation as Managing Director in April 2006.

Mr Dixon was appointed as Managing Director and CEO of Gindalbie Metals Ltd in December 2006, where he remained until 2011 when he joined Aurizon/QR National as Vice President of Iron Ore Business Development. In 2013, Mr Dixon was appointed President of the Global Mining Centre of Excellence at Alcoa, where he is responsible for maximising the value of the Group's bauxite assets across its global mining operations.


GARRET DIXON


ROBERT LETTE


DAVID LITTLE


KEVIN MOONEY

Robert Lette

NON-EXECUTIVE DIRECTOR

As a former partner and current consultant to the law firm Mullins Lawyers, Mr Lette brings a significant level of legal expertise to the Board. Since his admission to the Supreme Court in 1966, he has specialised in commercial, corporate, liquor, construction, and industrial law, and is a trained mediator. Mr Lette is currently Chairman of BUSS(Q) – a building industry superannuation fund, The Private Capital Group and The Infrastructure Fund.

Mr Lette's other directorships include Queensland Airports Limited and North Queensland Airports Group. He is the immediate past President of Tattersall's Club Brisbane and is a member of the Australian Institute of Company Directors. He is also a Fellow of the Association of Superannuation Funds of Australia.

David Little

NON-EXECUTIVE DIRECTOR

Mr Little's experience in the property and construction industry spans more than 40 years. During the 1970s he was a Director and Group Development Manager of the publicly listed company Watkins Limited, where he was responsible for the development of commercial, retail and residential developments and land subdivisions. Subsequent to a takeover of Watkins Limited, Mr Little became a founding member and Managing Director of Watpac Limited from its inception in 1983 until his retirement in 2004. During that time Watpac grew from its small beginnings to become a major publicly listed construction and property development company.

Mr Little was a Director of Watkins Limited from 1975 to 1981, Evans Deakin Industries Limited from 1994 to 2001, and Watpac Limited from 1985 to present. Mr Little has also held a number of senior roles in community, industry and educational organisations including President of the Property Council of Australia (Queensland Division), Board member of University of Queensland Foundation, and Chairman of Holy Spirit Hospital. He has also served as Vice Chairman of the Queensland State Library Foundation.

Kevin Mooney

NON-EXECUTIVE DIRECTOR

Mr Mooney has had a long and successful career in Australia's finance, property and corporate sectors. He has operated in senior business development and executive management, in addition to some director roles, at Hill Samuel Australia, Industrial Equity, Macquarie Bank, Honeywell and Australia Post. He has a deep knowledge and understanding of the commercial and property markets along Australia's eastern seaboard and extensive experience in finance, corporate governance and marketing.

Throughout his career, Mr Mooney has established and maintained strong ties with a number of sporting and charitable organisations. As a founding director he played a key role in the establishment and management of the Bradman Foundation, which controls the Bradman Museum and the International Cricket Hall of Fame. He is the Bradman Foundation's first Honorary Life Member. He is also active in Rotary, an inaugural Director of Dream Cricket International, and is on the board of Evolve, a charitable organisation which cares for children at risk in Victoria. Mr Mooney holds a Bachelor degree specialising in Economics, Accounting and Business Law from Macquarie University. He is a Fellow of FINSIA and a Member of the Australian Institute of Directors.

Group Senior Executive Team

Watpac's Group Senior Executive Team comprises leaders from across the business who are responsible for driving financial performance, culture and values, and the safe and high-quality delivery of projects. Four members of the Group Senior Executive Team are Watpac Key Management Personnel (KMP). These members are noted on the chart below.

KMP in the financial year 30 June 2014

Martin Monro

CHIEF EXECUTIVE OFFICER

Mr Monro was appointed Chief Executive Officer of Watpac in August 2012. He brings to the role more than 24 years' experience in the national construction sector and abroad, with a proven track record in prudent financial management, safety leadership and successful expansion into new markets. Mr Monro was appointed Managing Director of Grant Constructions in 2004 after the company was acquired by Watpac. For the next two years he successfully grew and transitioned the business under the Watpac brand, before being appointed to head Watpac's NSW Construction Division. In 2009 he was appointed National General Manager, Construction. Mr Monro is a Director of a number of Watpac Limited subsidiaries and is the current Queensland President, and a National Council Member, for the Australian Industry Group. He is also a member of the Board of the Australian Constructors Association, a body dedicated to making the construction industry safer, more efficient, more competitive and better able to contribute to the development of Australia. He has formal qualifications in Psychology and Human Resources Management, and is a graduate of the Accelerated Development Program at the London Business School. He is also a Fellow and Graduate of the Australian Institute of Company Directors.

Errol Edwards

GENERAL MANAGER, CONSTRUCTION DIVISION

With a long and distinguished career spanning more than 40 years in the construction industry, Mr Edwards is the General Manager of Watpac's Construction Division. Mr Edwards provides senior leadership, direction, skills and experience to the Group's national construction operations as it continues to grow and pursue more complex projects across Australia. He is responsible for the strategic direction of the construction business and driving the operational efficiency of the division, and is chair of the National Safety Committee. He also leads operations, construction management, project management, design, estimating and cost management functions for the division. Errol has a Diploma in Building and is a Fellow of the Australian Institute of Building. He is also a member of the QMBA State Council and QMBA Major Contractors Construction Sector Committee.

Mark Baker

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr Baker was appointed to the role of Chief Financial Officer and Company Secretary in August 2011. Mr Baker has a substantial background in assurance, having worked in this service area at both Ernst and Young and Arthur Anderson, and has been involved in a number of complex domestic and international corporate transactions. He has significant experience in the areas of financial due diligence, transaction structuring and corporate governance. Mr Baker holds a Bachelor of Commerce and a Bachelor of Arts, and is a fellow of the Institute of Chartered Accountants Australia. He is also a member of the Australian Institute of Company Directors and of FINSIA. Mr Baker is a fellow of the Governance Institute of Australia, and a certified member of the Finance and Treasury Association of Australia.

Russell Hall

GENERAL MANAGER, MINING & WA CIVIL

Mr Hall has 30 years' experience in executive positions, operations and business development, in civil, mining and property development. As General Manager of Watpac's Mining and Civil WA division, he is responsible for overseeing operations, growing the existing civil and mining business, developing and implementing regional strategies and proactively implementing the company's safety policies. He brings to the role strong analytical, project financial, negotiation, strategic and management skills and a commitment to mentoring and developing skills within the business. Mr Hall has a Bachelor of Engineering (Civil) from Adelaide University and has completed the Executive Management Program at the University of NSW.

Financial Report 2014

Translational Research Institute, Brisbane

Directors' Report

The Directors present their report, together with the consolidated financial statements of Watpac Limited ("Watpac" or "Company") and its controlled entities ("Group") for the financial year ended 30 June 2014 and the Auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Current Directors

C R Freeman, AM

CHAIR, NON-EXECUTIVE DIRECTOR

Mr Freeman was appointed a Director of Watpac Limited in May 2011 and was elected Chair in March 2012. Prior to joining Watpac, he held the position of Chairman, Development for Queensland, United Kingdom and United Arab Emirates at Mirvac. Previous senior roles include Chief Executive Officer of Mirvac Queensland (1998 to 2008), Executive Director of Sunland Group and the Head of Business Banking at QIDC.

Mr Freeman is a past President of the UDIA and was awarded a Member in the General Division of the Order of Australia (AM) in 2009 for his contribution to the property development industry, the arts and other cultural affairs. He holds a Bachelor of Commerce from the University of Queensland and is a Fellow of the Australian Institute of Company Directors. Mr Freeman is Vice President and Director of Tennis Australia, Chair of Queensland Performing Arts Trust, a Director of the Brisbane Airport Corporation and a member of the Major Performing Arts Board. He is also Chair of Urban Renewal for Brisbane City Council.

In June 2013, Mr Freeman was appointed by the Federal Government to the Queensland 20 (Q20), a group of high level business, community and government representatives tasked with maximising the benefits of Australia's presidency of the Group of 20 (G20) in 2014. Mr Freeman became a member of Watpac's Remuneration Committee in August 2011 and is Chair of the Nomination Committee.

Director since 5 May 2011, Chair since 7 March 2012.

R B McGruther, OBE FCA

DEPUTY CHAIR, NON-EXECUTIVE DIRECTOR

Mr McGruther complements the Board's desire for quality with his experience in corporate and financial management. He is currently a consultant to Bentleys, a national chartered accountancy firm, with a particular focus on aged care services. Mr McGruther is a former board member of the Queensland Events Corporation Ltd, and former Chairman of QRU Limited and ARU Limited and was awarded an Order of the British Empire (OBE) for his services to the community and sport.

Mr McGruther is the Chair of the Audit and Risk Committee and is a member of the Nomination Committee.

Director since 17 December 1993.

J C M C Beerlandt

NON-EXECUTIVE DIRECTOR

Mr Beerlandt is Chief Executive Officer and Chairman of Belgium's largest construction company, BESIX Group, and has extensive expertise in the international contracting sector. Mr Beerlandt joined BESIX Group in 1974 and has overseen the delivery of major projects in Europe, Africa and the Middle East. Under his leadership, BESIX has grown from a traditional civil and building construction company to a multidisciplinary organisation, achieving revenues of over $3B in 2013 and operating in 18 countries worldwide. In May 2013 BESIX acquired a major shareholding in Watpac.

Mr Beerlandt is a Director of the Management Board of the Belgian Federation of Enterprises (FEB-VBO), a Member of the Advisory Board of ING Bank, and Chairman of the Arab Belgian Luxemburg Chamber of Commerce. He has a Masters of Civil Engineering and Architecture from the University of Ghent in Belgium and completed The General Manager Program at Harvard University. Mr Beerlandt was appointed to the Audit and Risk Committee on 27 August 2013.

Director since 27 May 2013.

Mr Carlo Schreurs, Deputy General Manager of BESIX International and Member of BESIX Contracting Management Board, has been appointed as Alternate Director for Mr Beerlandt. Mr Schreurs has a Masters of Engineering from the University of Leuven in Belgium and joined BESIX in 1982. Through his 32 year international career, he has acquired worldwide experience in the different disciplines of the contracting businesses.

Within the BESIX Group Mr Schreurs is currently responsible for the Group's activities in Australia (residing in Perth) and the Group's Strategic Development and new markets.

B C Bowton

NON-EXECUTIVE DIRECTOR

Mr Bowton is one of the founding Directors of CACE Partners, a boutique management consulting firm based in Sydney which specialises in strategic problem-solving and operational performance improvement. Prior to joining CACE Partners, Mr Bowton founded his own consulting firm and worked as a management consultant at Bain International and McKinsey & Company. He also worked as an investment banker with Morgan Stanley International and Salomon Brothers. In his 20 year career as a management consultant, Mr Bowton has assisted Australian, NZ, US and Asian CEOs, boards and senior managers across a broad range of industries, focussing primarily on the Financial Services and Property sectors for the past 15 years.

Mr Bowton has an MBA from the Wharton School of the University of Pennsylvania and a Bachelor of Science in Economics from the University of Pennsylvania. He is also a Director of QIC.

Mr Bowton was appointed to the Audit and Risk Committee on 25 February 2014.

Director since 28 August 2013.

G J Dixon

NON-EXECUTIVE DIRECTOR

Mr Dixon is an experienced and accomplished senior executive with extensive experience in the resources, transport and contracting sectors in Australia and overseas. His work in both private and ASX listed companies spans more than three decades, having worked in senior executive roles for major mine owners, mine operators and contractors in the iron ore, gold, coal, nickel and bauxite commodities markets.

Mr Dixon commenced his career as a civil engineer for the Federal Government in 1981, overseeing major civil infrastructure projects in South Australia and the Northern Territory. In 1988, he joined civil construction and contract mining group Henry Walker Eltin Ltd, where he worked for 18 years in various positions including Executive General Manager, HWE Mining prior to joining Mitchell Corporation as Managing Director in April 2006. Mr Dixon was appointed as Managing Director and CEO of Gindalbie Metals Ltd in December 2006, where he remained until 2011 when he joined Aurizon/QR National as Vice President of Iron Ore Business Development.

In 2013, Mr Dixon was appointed President of the Global Mining Centre of Excellence at Alcoa, where he is responsible for maximising the value of the Group's bauxite assets across its global mining operations.

Director since 12 February 2014.

R J Lette

NON-EXECUTIVE DIRECTOR

As a former partner and current consultant to the law firm Mullins Lawyers, Mr Lette brings a significant level of legal expertise to the Board. Since his admission to the Supreme Court in 1966, he has specialised in commercial, corporate, liquor, construction, and industrial law, and is a trained mediator.

Mr Lette is currently Chairman of BUSS(Q) – the building industry superannuation fund, The Private Capital Group and The Infrastructure Fund. Mr Lette's other directorships include Queensland Airports Limited and North Queensland Airports Group. In addition, he is the Immediate Past President of Tattersall's Club Brisbane and is a member of the Australian Institute of Company Directors. He is also a fellow of Association Superannuation Funds of Australia. Mr Lette is the Chair of the Remuneration Committee, is a member of the Nomination Committee and was a member of the Audit and Risk Committee until 25 February 2014.

Director since 23 May 1996.

D M Little

NON-EXECUTIVE DIRECTOR

Mr Little's experience in the property and construction industry spans more than 40 years. During the 1970s he was a Director and Group Development Manager of the publicly listed company Watkins Limited, where he was responsible for the development of commercial, retail and residential developments and land subdivisions. Subsequent to a takeover of Watkins Limited, Mr Little became a founding member and Managing Director of Watpac Limited from its inception in 1983 until his retirement in 2004. During that time Watpac grew from its small beginnings to become a major publicly listed construction and property development company.

Mr Little was a Director of Watkins Limited from 1975 to 1981, Evans Deakin Industries Limited from 1994 to 2001, and Watpac Limited from 1985 to present. Mr Little has also held a number of senior roles in community, industry and educational organisations including President of the Property Council of Australia (Queensland Division), Board member of University of Queensland Foundation, and Chairman of Holy Spirit Hospital. He has also served as Vice Chairman of the Queensland State Library Foundation. Mr Little is a member of Watpac's Remuneration Committee.

Director since 14 May 1985.

K A Mooney

NON-EXECUTIVE DIRECTOR

Mr Mooney has had a long and successful career in Australia's finance, property and corporate sectors. He has operated in senior business development and executive management, in addition to some director roles, at Hill Samuel Australia, Industrial Equity, Macquarie Bank, Honeywell and Australia Post. He has a deep knowledge and understanding of the commercial and property markets along Australia's eastern seaboard and extensive experience in finance, corporate governance and marketing.

Throughout his career, Mr Mooney has established and maintained strong ties with a number of sporting and charitable organisations. As a founding director he played a key role in the establishment and management of the Bradman Foundation, which controls the Bradman Museum and the International Cricket Hall of Fame. He is the Bradman Foundation's first Honorary Life Member. He is also active in Rotary, an inaugural Director of Dream Cricket International, and is on the board of Evolve, a charitable organisation which cares for children at risk in Victoria.

Mr Mooney holds a Bachelor degree specialising in Economics, Accounting and Business Law from Macquarie University. He has been a member of the Watpac Audit and Risk Committee since August 2011. He is a Fellow of FINSIA and a member of the Australian Institute of Directors.

Director since 5 May 2011.

Former Directors

K W Seymour, AM

NON-EXECUTIVE DIRECTOR

Mr Seymour retired as a Director on 24 September 2013. Mr Seymour served 17 years as a Non-Executive Director of Watpac, including eight years as Chair. The resignation of Mr Seymour follows the sale of his 15.6% interest in the Company to the BESIX Group in May 2013.

2. Company Secretary

M A Baker

COMPANY SECRETARY, CHIEF FINANCIAL OFFICER

Mr Baker was appointed to the roles of Chief Financial Officer and Company Secretary in August 2011.

Mr Baker has a substantial background in Assurance having worked in this service area at both Ernst & Young and Arthur Andersen, and has been involved in a number of complex domestic and international corporate transactions. Mr Baker has significant experience in the areas of financial due diligence, transaction structuring and corporate governance. Mr Baker holds a Bachelor of Commerce and a Bachelor of Arts and is a fellow of the Institute of Chartered Accountants in Australia. He is also a member of the Australian Institute of Company Directors, a member of FINSIA, a Fellow of the Governance Institute of Australia and is a certified member of the Finance and Treasury Association of Australia.

Appointed 26 August 2011.

3. Directors' meetings

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

	Board Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
Mr C R Freeman	11	11	-	-	1	1	2	2
Mr R B McGruther	11	11	6	6	-	-	2	2
Mr J C M C Beerlandt/ Mr C J Schreurs	10	11	4	4	-	-	-	-
Mr B C Bowton	9	9	2	2	-	-	-	-
Mr G J Dixon	5	5	-	-	-	-	-	-
Mr R J Lette	11	11	4	4	1	1	2	2
Mr D M Little	11	11	-	-	1	1	-	-
Mr K A Mooney	11	11	6	6	-	-	-	-
Mr K W Seymour	3	3	-	-	-	-	-	-

A – Number of meetings attended.
B – Reflects the number of meetings held during the time the Director held office during the year and was a member of the relevant committee.

4. Corporate Governance Statement

The Directors of Watpac support the core principles developed by the ASX Corporate Governance Council (Council) as is documented in the Council's principles and recommendations (2nd edition with 2010 Amendments).

The Group has in place structures, policies, and procedures that have been developed by the Board and management progressively to ensure that operations are founded on the same core principles advocated by the Council.

The principles aim to provide guidance for optimising corporate performance and accountability and state that applicability of these principles will depend upon each company's particular circumstances. In this regard, the Board believes that Watpac's corporate governance policies should be tailored to account for the size and structure of the Group and risks associated with its operations.

The ASX concurs with this view and allows companies to deviate from certain Council recommendations where deemed appropriate by the Board.

The Directors acknowledge the 3rd edition of the Council's principles and recommendations, which will take effect in the 30 June 2015 financial year. The Board and management continue to review and update the Group's corporate governance policies, as advocated by the Council.

Included below is a summary table, which includes an assessment of the Group's corporate governance policies and procedures against the framework in the 2nd edition of the Council's principles. Additional details pertaining to Watpac's compliance with these principles and particulars of non-compliance have been included on the following pages.

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) with 2010 Amendments		Reference	Comply
Principle 1 – Lay solid foundations for management and oversight			
Recommendation 1.1	Companies should establish the functions reserved to the board and those delegated to executives and disclose those functions.	4.1.1	✓
Recommendation 1.2	Companies should disclose the process for evaluating the performance of executives.	4.1.2, Remuneration Report	✓
Recommendation 1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	4.1, Remuneration Report	✓
Principle 2 – Structure the board to add value			
Recommendation 2.1	A majority of the board should be independent directors.	4.2.1, Directors' Report	✓
Recommendation 2.2	The chair should be an independent director.	4.2.2, Directors' Report	✓
Recommendation 2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	4.2.3, Directors' Report	✓
Recommendation 2.4	The Board should establish a nomination committee.	4.2.4, Directors' Report	✓
Recommendation 2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	4.2.5, Remuneration Report	✓
Recommendation 2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	4.2, Directors' Report, Remuneration Report	✓
Principle 3 – Promote ethical and responsible decision-making			
Recommendation 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity. • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	4.3.1	✓
Recommendation 3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	4.3.2	✓
Recommendation 3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	4.3.3	✓
Recommendation 3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in executive positions and women on the board.	4.3.4	✓
Recommendation 3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	4.3	✓

ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) with 2010 Amendments		Reference	Comply
Principle 4 – Safeguard integrity of financial reporting			
Recommendation 4.1	The board should establish an audit committee.	4.4.1, Directors' Report	✓
Recommendation 4.2	The audit committee should be structured so that it:	4.4.2, Directors' Report	✓
	• consists of only non-executive directors		
	• consists of a majority of independent directors		
	• is chaired by an independent chair, who is not chair of the board		
	• has at least three members.		
Recommendation 4.3	The audit committee should have a formal charter.	4.4.3	✓
Recommendation 4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	4.4, Directors' Report	✓
Principle 5 – Make timely and balanced disclosure			
Recommendation 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	4.5.1	✓
Recommendation 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	4.5	✓
Principle 6 – Respect the rights of shareholders			
Recommendation 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	4.6.1	✓
Recommendation 6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	4.6	✓
Principle 7 – Recognise and manage risk			
Recommendation 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	4.7.1	✓
Recommendation 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	4.7.2	✓
Recommendation 7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 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.	4.7.3	✓
Recommendation 7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	4.7	✓
Principle 8 – Remunerate fairly and responsibly			
Recommendation 8.1	The board should establish a remuneration committee.	4.8.1, Directors' Report	✓
Recommendation 8.2	The remuneration committee should be structured so that it:	4.8.2, Directors' Report, Remuneration Report	✓
	• consists of a majority of independent directors		
	• is chaired by an independent chair		
	• has at least three members.		
Recommendation 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	4.8.3, Remuneration Report	✓
Recommendation 8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	4.8, Directors' Report, Remuneration Report	✓

Further explanation pertaining to the Group's compliance with the Council's principles are included below.

4.1 Principle 1: Lay solid foundations for management and oversight

Establish and disclose the respective roles and responsibilities of the Board and management.

4.1.1 Recommendation 1.1

The respective roles of the Board and management generally comply with the principles set out in Recommendation 1.1, and are contained within various formal documents.

The Board is responsible to shareholders for the Group's corporate governance practices, and is responsible for the direction and oversight of the Company's businesses on behalf of the shareholders. The Board delegates responsibility for the implementation of strategy and daily business operations to the Chief Executive Officer and other members of the Group Senior Executive Team.

The Board has adopted a formal Board Charter, which sets out the role and responsibilities of the Board of Directors, and operates with a schedule of delegated authority to management. The Directors also clearly understand the terms and conditions relative to their appointments, and the expectations of them.

4.1.2 Recommendation 1.2

An evaluation of the performance of the Chief Executive Officer is undertaken each year by the Board. Details on the process for evaluating the performance of the Chief Executive Officer and other Key Management Personnel have been included in the Remuneration Report, which forms part of the Directors' Report.

4.2 Principle 2: Structure the board to add value

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

4.2.1 Recommendation 2.1

At financial year end 30 June 2014, the Board comprised eight non-executive Directors (including the Chair), six of whom are classed as independent Directors. The names and details of each Director are set out in the Directors' Report.

As a nominated Director of the Group's major shareholder BESIX Group, which currently holds approximately 20% of the shares on issue, and being the Chief Executive Officer of that organisation, with reference to the guidance provided in the Council's principles and recommendations, Mr Beerlandt has been assessed by Directors as being a non-independent Director.

Given his previous role as Managing Director of Watpac (22 years) and subsequent role as non-executive Director of the Company, the Board has also determined that it is likely an external party could reasonably conclude that Mr Little's continuous 29-year role as a Director of the Company restricts its ability to classify him as an independent Director.

While classified as non-independent, the Board does not believe that the actions of either Mr Beerlandt or Mr Little (or their alternates) are in any way impaired but rather that their decisions are always made in the best interests of Watpac's shareholders.

The Board annually assesses whether independence has been impaired for any director who has served in that position for more than 10 years. In the Board's view, the mere fact that a director has served on a board for a substantial period does not mean that he or she has become too close to management to be considered independent.

In addition to Mr Little, who has previously been the Managing Director of Watpac, the issue of length of service is also relevant to the Board's assessment of the independence of Mr McGruther and Mr Lette. Notwithstanding the length of their tenure on the Board is greater than 10 years (being 20 and 18 years respectively), the other Directors do not consider that this has affected either Mr McGruther's or Mr Lette's ability to exercise independent decision making in discharging their duties as Directors of Watpac.

The Board is aware that the Council recognises that the interests of a listed entity and its security holders are likely to be well served by having a mix of directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspective.

The overriding objective of the Board is to ensure it is comprised of members with the appropriate skills and attributes to maximise Shareholder value.

4.2.2 Recommendation 2.2

Mr Freeman, the current Chair, is an independent Director.

4.2.3 Recommendation 2.3

Mr Freeman is the current Chair and Mr Monro is the Chief Executive Officer of the Group.

4.2.4 Recommendation 2.4

The Board has established a Nomination Committee to ensure it continues to operate effectively and with appropriate skills and experience. The Committee comprises Mr Freeman, Mr MrGruther and Mr Lette with Mr Freeman having the position as Chair of this committee. The Nomination Committee acts in accordance with the Group's Nomination Committee charter.

Any Director may make recommendations to the Board regarding the membership of the Board, including proposed new appointments.

4.2.5 Recommendation 2.5

Watpac has both formal and informal procedures in place to allow all Directors to participate fully and actively engage in decision making. Directors are also provided comprehensive information on a regular basis by the Group Senior Executive Team, so that they can discharge their Director duties effectively. The Company Secretary coordinates the timely completion and dispatch of such materials to the Board.

The Chair is responsible for evaluating the performance of the individual members of the Board, its committees and the Company Secretary, in consultation with the Nomination Committee.

4.3 Principle 3: Promote ethical and responsible decision-making

Actively promote ethical and responsible decision-making.

4.3.1 Recommendation 3.1

The Board encourages the highest standards of ethical conduct by all Directors and employees of the Group. The Group has various codes of conduct, which have been established by the Board and management. These codes include principles and standards with which all Group employees are expected to comply.

The Chief Executive Officer and other members of the Group Senior Executive Team investigate all unethical and irresponsible conduct by employees, with appropriate levels of disciplinary action applied where departures from the Group's principles are found.

4.3.2 Recommendation 3.2

The Company is committed to providing an inclusive workplace and an organisational culture that embraces diversity and equality. The Group has a Diversity Policy that applies to Directors, employees, consultants, sub-contractors and all other parties transacting with the Group.

The Diversity Policy provides a framework for the Group to achieve a diverse and skilled workforce, a workplace characterised by inclusive practices and behaviours, and a workplace environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

4.3.3 Recommendation 3.3

Watpac's Gender Equity Strategy is to cultivate a workplace which allows each employee to achieve their very best potential.

Watpac operates in business sectors that have traditionally had low representation of women. This means that the availability of candidates with industry experience can be a limiting factor in achieving gender diversity. To address this issue the Group is implementing a long-term strategy of developing the work environment and workplace culture to be more attractive to all existing and potential employees, including women, and to allow each employee to achieve their potential.

The Group's gender equity objectives are:

- *to improve gender diversity in non-traditional industries and locations;*
- *safeguard equity in remuneration; and*
- *ensure diversity in the talent pipeline.*

In addition to this, Watpac believes that implementation of policies and associated training in the area of Diversity, Equal Employment Opportunities, Harassment and Bullying, and Occupational Health and Safety form part of the Group's inherent corporate responsibility.

The Group has submitted its annual reports and received a letter from the Workplace Gender Equality Agency stating it is compliant with the Workplace Gender Equality Act (2012) for the period 2013 to 2014.

4.3.4 Recommendation 3.4

The Group currently employs almost 1,150 staff, of which approximately 13% are female. There is one female staff member on the Group Senior Executive Team (which currently comprises 11 personnel) and no members of the eight person Board are female.

Consistent with the Group's overall position regarding the employment of females, new members of the Group Senior Executive Team and/or Board are selected with regard to the best possible candidates for the positions who demonstrate they have the appropriate skills required to fulfil their respective responsibilities.

4.4 Principle 4: Safeguard integrity of financial reporting

Have a structure to independently verify and safeguard the integrity of financial reporting.

4.4.1 Recommendation 4.1

The Company has an Audit and Risk Committee, which operates in accordance with a formal Charter approved by the Board.

The primary purpose of the Audit and Risk Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by reviewing and reporting to the Board on the following matters:

- *the integrity of financial statements;*
- *internal control systems and risk management;*
- *the objectivity and effectiveness of internal auditors;*
- *the independence, objectivity and effectiveness of external auditors;*
- *the formal policy on the provision of non-audit services;*
- *Group insurances; and*
- *corporate governance controls generally.*

4.4.2 Recommendation 4.2

Details of the members of the Audit and Risk Committee are included in the Directors' Report. Watpac complies with the Council's recommended audit committee structure.

4.4.3 Recommendation 4.3

Watpac's Audit and Risk Committee operates under a formal charter. Minutes of all Audit and Risk Committee meetings are provided to the Board, and the Chair of the Committee also reports to the Board after each committee meeting.

4.5 Principle 5: Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the Company.

4.5.1 Recommendation 5.1

The Directors have established processes and procedures, which are documented in the Group's Continuous Disclosure Policy, to ensure the Group complies with this Council recommendation. Procedures are in place to ensure that matters having a material effect on the price of the Company's securities are notified to ASX in a timely manner. The Chief Executive Officer and the Company Secretary are responsible for interpreting the Company's policies in respect of this matter and where necessary informing the Board.

All announcements made to ASX by the Company are published on the Company's website. In addition, the website includes other information about the Group that, while important, is not suitable for public distribution via the ASX reporting platform.

4.6 Principle 6: Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights.

4.6.1 Recommendation 6.1

The Company aims to keep shareholders informed of all major developments in an ongoing manner as follows:

- *All shareholders are provided with a hard copy of, or access to an electronic copy of:*
  - *A full annual report, which includes relevant information about the operations of the Group during the past financial year, changes in the state of affairs and details of future developments.*
  - *A half-yearly update containing summarised information relating to the financial performance for the half-year including a review of the activities of the Company for that period.*
- *The annual and half-yearly financial reports are lodged with ASX, and are available to view both via ASX and on the Watpac website.*
- *A Company newsletter is prepared annually and sent to shareholders to keep them informed of the Company's activities.*
- *All other ASX announcements and media releases relating to the Group's activities are made available on the Watpac website.*

The Board encourages full participation of shareholders at the Annual General Meeting (AGM) to ensure a high level of accountability and identification with the Company's strategy and goals. The Group's auditor also attends the AGM and is available to shareholders should they have any questions.

4.7 Principle 7: Recognise and manage risk

Establish a sound system of risk oversight and management and internal control.

4.7.1 Recommendation 7.1

The Group places a high priority on the management of risk. The Chief Executive Officer, Company Secretary and Group Risk Manager work closely with the Group Senior Executive Team and report regularly to the Audit and Risk Committee on the status of the Group's risks. The assessment of risk is an ongoing process.

The Group's risk management objective is to create long-term, sustainable shareholder value and safeguard its people, reputation and operating environment through continuous improvement and innovation in our approach to risk management.

Watpac's approach to risk management is guided by the International Standard on Risk Management ISO31000. In addition to operational and financial risk, the Group is also committed to implementing a best practice approach in the key categories of Legal and Compliance Risk and Environment, Health and Safety Risk.

At Watpac, safety is an absolute priority and a core value and the Board is acutely aware of its safety, social and environmental responsibilities. The Group's national management systems have been accredited at the highest level, achieving certification for AS4801 (Safety), ISO9001 (Quality Assurance) and ISO14001 (Environmental) standards. The Board is committed to continually improving the Company's systems and performance.

The approach to enterprise risk management is also focused on identifying opportunities to enhance value, increase competitive advantage and improve profitability.

The Group's risk management policies are designed to:

- *integrate risk management within all project planning and management processes;*
- *identify, evaluate, treat, monitor, quantify and report all significant risks to the Group's Audit and Risk Committee;*
- *ensure all risk management evaluations take into account any potential value creation, or competitive advantage, which may be derived for the business;*
- *provide the information, training and processes to enable our people to effectively implement and maintain risk management practices;*
- *ensure risks and business objectives are appropriately balanced when designing risk treatments and risk transfer arrangements to drive business value; and*
- *encourage our associated entities, suppliers and subcontractors to adopt Watpac's risk management practices.*

4.7.2 Recommendation 7.2

Risk management and internal controls are in place to manage assessed key business risks throughout the Group.

A committee comprising the Chief Executive Officer, Company Secretary, Group Risk Manager and Group Commercial Manager undertake regular reviews of significant projects. Key project and business risk areas are continually monitored and reported within each operating division in accordance with the Group's risk management framework. The Group's internal control environment is also continually monitored and reported to and discussed by the Audit and Risk Committee. Amendments to the Group's internal control environment are overseen by the Chief Executive Officer, Company Secretary and the Group Risk Manager, with formal approval for any changes required to be endorsed by the Audit and Risk Committee.

During the 2014 financial year, the Company engaged external consultants from Deloitte to conduct tailored internal audit procedures across a number of aspects of the Group's operations. This work will continue in FY15 under a structured internal audit program, which has already been approved by the Audit and Risk Committee.

4.7.3 Recommendation 7.3

The Chief Executive Officer and the Chief Financial Officer provide a statement in accordance with section 295A of the Corporations Act to the Board each year prior to the Directors' Declaration being made to adopt the Annual Financial Report.

4.8 Principle 8: Remunerate fairly and responsibly

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

4.8.1 Recommendation 8.1

The Board has an established Remuneration Committee, membership details of which are provided in the Directors' Report.

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the non-executive Directors, the Chief Executive Officer, and the members of the Group Senior Executive Team. The Remuneration Committee also monitors management of succession planning and assists the Chair of the Board in the annual performance review of the Chief Executive Officer. The Remuneration Committee monitors Group wide remuneration levels with reference to independent market assessments and is responsible for the Company's policies in respect of short and long-term incentives, and retirement and termination benefits.

Remuneration levels are competitively set to attract and retain the most qualified and experienced Directors and senior executives. The Remuneration Committee also obtains independent advice where required on the appropriateness of remuneration packages given trends in comparative companies, both locally and nationally.

4.8.2 Recommendation 8.2

Details of the members of the Remuneration Committee are included in the Directors' Report. Watpac complies with the Council's recommended remuneration committee structure.

4.8.3 Recommendation 8.3

The Group has a clearly distinguished structure of non-executive directors' remuneration from that of senior executives. Details of the nature and amount of the remuneration of each Director are set out in the Directors' Report and in the notes to the financial statements.

As far as the Group is aware, no Director or Executive uses hedging instruments to limit their exposure to risk on either shares or options in the Company.

5. Message from the Remuneration Committee Chair

Dear Shareholder

I am pleased to introduce Watpac's Remuneration Report for the financial year ended 30 June 2014.

In 2014 we have continued to provide a comprehensive and transparent approach to the Remuneration Report, in order to demonstrate our executive remuneration strategies and to enable shareholders to assess the linkages between executive remuneration, execution of the Group's strategy and Group performance. In this regard, together with the remuneration disclosures required by the Australian regulations, the Remuneration Report contains additional disclosures relating to the structure and approach to executive remuneration at Watpac.

Over the past three years the Remuneration Committee has worked on improving the alignment between company performance and executive remuneration outcomes. The method and manner by which Senior Executives are remunerated has been modified over this period by implementing new short and long term incentive plans and freezing fixed remuneration levels. The Group's Long Term Incentive Plan (**LTIP**) became effective on 1 July 2012 and the Short Term Incentive Plan (**STIP**) on 1 July 2013.

The Board and Remuneration Committee have not yet made a final determination in relation to potential payments under the FY14 STIP to Senior Executives, which apply to the Group's financial and operational performance for the 30 June 2014 financial year. Such determinations will not be made until September 2014 and consequently no allowances for payments under the STIP have been made in the reported FY14 financial result.

As Chair of the Remuneration Committee, I remain committed to ensuring our remuneration policies reinforce the Group's future strategies and reward performance for achieving these strategies. Over the past three years I believe the Group has changed its approach to remuneration such that it is now operating a market-based remuneration structure with an appropriate at-risk component and with appropriate alignment of Senior Executive remuneration outcomes and shareholder risks and rewards.

The Board considers effective governance and continuing clear reporting on remuneration essential to maintaining support from our shareholders for the Company's Remuneration Report. We remain committed to refining our approach to remuneration as market dynamics and expectations change.

R J Lette
Chair, Remuneration Committee

19th August 2014

6. Remuneration Report – Audited

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6.1 Introduction

The 2014 Watpac Remuneration Report has been prepared in accordance with the requirements of s300A of the *Corporations Act 2001* and applies to Key Management Personnel (**KMP**) of the Group. KMP are defined as those persons who have authority and responsibility for planning, directing and controlling the activities of the Group.

KMP of the Group for the 2014 financial year are as follows:

Directors

Mr C R Freeman	Chair, Non-executive Director
Mr R B McGruther	Deputy Chair, Non-executive Director
Mr J C M C Beerlandt	Non-executive Director
Mr B C Bowton	Non-executive Director (from 28 August 2013)
Mr G J Dixon	Non-executive Director (from 12 February 2014)
Mr R J Lette	Non-executive Director
Mr D M Little	Non-executive Director
Mr K A Mooney	Non-executive Director
Mr K W Seymour	Non-executive Director (to 24 September 2013)

Executives

Mr M G Monro	Chief Executive Officer
Mr M A Baker	Chief Financial Officer and Company Secretary
Mr E D Edwards	General Manager – Construction
Mr R J Hall	General Manager – National Mining & WA Civil
Mr R M McDonald	General Manager – Property (to 16 May 2014)

Details and disclosures relating to KMP who held office in prior financial years have been included in this report as required. Members of the Group Senior Executive Team who are KMP are referred to in this Remuneration Report as **Senior Executives**.

6.2 Remuneration governance

6.2.1 Board oversight

The Watpac Board is ultimately responsible for ensuring that the Group's remuneration structure is equitable and aligned with the long-term interests of shareholders. The Board and its advisors are independent of Management when making decisions affecting employee remuneration.

The Board has established a Remuneration Committee to assist it in making determinations regarding KMP, other Group executives and employees. In addition to approving remuneration levels, the Committee's role is to make recommendations to the Board regarding the Group's remuneration policies and practices, including those applicable to the Group's KMP.

Members of Remuneration Committee as at the date of this report were as follows:

Committee members

Mr R J Lette – Chair
Mr C R Freeman
Mr D M Little

Number of meetings in FY14

1

Other individuals who regularly attended meetings

Mr M G Monro (CEO)
Ms A Leibke (Group Human Resources Manager)

The Remuneration Committee meets as regularly as is required, in order to ensure that it is fully informed about the Group's remuneration strategies, structures and decision-making processes. Management are invited to attend as is deemed necessary by the Committee.

In the 30 June 2014 financial year the Remuneration Committee only met on one occasion. This was substantially less than the number of meetings required in FY12 and FY13 of eight and three respectively given:

- the Group's new short and long term incentive plans were established in the two previous financial years, and there was no requirement in FY14 for either of these plans to be revisited;
- the Group has changed its annual performance review process to August/September each year (from June), and as such the Remuneration Committee was not required to meet in May/June 2014 in advance of this process (as was previously the case), rather these meetings will take place in August/September 2014; and
- given the importance the Board places on remuneration-related issues, several matters were discussed with the full Board over the past 12 months.

The activities of the Remuneration Committee are governed by the Remuneration Committee Charter. Its main focuses are:

- remuneration policy and its specific application to KMP, as well as its general application to all employees;
- the determination of levels of reward to the CEO and other KMP;
- providing guidance to the Chair of the Board on evaluating the performance of the CEO; and
- communication with shareholders and other key stakeholders on remuneration policy.

6.2.2 Use of remuneration consultants

By virtue of the delegated authority of the Board, the Remuneration Committee seeks and considers advice from independent remuneration consultants, where appropriate. Remuneration consultants are engaged by and report directly to the Remuneration Committee. Potential conflicts of interest are taken into account when remuneration consultants are selected and their terms of engagement regulate their level of access to, and require their independence from, Management.

The Watpac Board’s Remuneration Committee engaged Ernst & Young again in June 2014 to provide recommendations regarding KMP remuneration levels. This followed work undertaken by Ernst & Young in FY12 and FY13 relating to the design of Watpac’s long-term and short-term incentive plans and specific advice in May 2012 in relation to Senior Executive remuneration levels.

The Committee is satisfied that the advice received from Ernst & Young for the above services is free from undue influence from the KMP to whom the advice relates.

KMP are not involved in the selection and appointment of, or contract negotiation with remuneration advisors and all documentation and communication (including confirmation by Ernst & Young that the remuneration recommendations were free from undue influence from the KMP to whom the advice relates) was provided directly to the Board. Additionally, the Board has put in place policies managing Ernst & Young’s access to KMP on remuneration-related matters, including parameters for communication and the types of communication that can take place between Ernst & Young and KMP, to further ensure the recommendations are free from undue influence.

The Remuneration recommendations provided to Watpac were inputs into decision making only. The Remuneration Committee considered these recommendations along with other factors when making its remuneration decisions.

While costs were accrued for work completed in May/June 2014, no fees were paid to Ernst & Young for remuneration services in FY14 (2013: $22,866). Other services provided by Ernst & Young during the financial year related to taxation matters, and the fees and expenses for these other services were $205,878 (2013: $206,965).

6.2.3 Hedging of company securities

The Company’s Securities Trading Policy prohibits the hedging of options or shares by KMP.

6.3 Senior Executive remuneration

6.3.1 Remuneration strategy

Senior Executive remuneration strategies are designed to attract, motivate and retain high quality personnel. These arrangements are aligned with organisational practices and behaviours, driving improvement to shareholder value and taking into account the dynamic labour market and regulatory landscape.

The following diagram illustrates how the Company's remuneration strategy aligns with the strategic direction and links remuneration outcomes to performance.

Business objective
To be a leading contractor and service provider in our chosen fields, and to enhance shareholder value.

Remuneration strategy linkages to business objective	
Align the interests of Senior Executives with the Company and Shareholders	**Attract, motivate and retain high performing individuals**
• The remuneration framework incorporates a substantial proportion that is contingent on Company performance. • Performance is assessed against financial and non-financial measures relevant to the success of the Company and generating returns for shareholders.	• The remuneration offering is competitive for companies of a similar size and complexity. • There is the provision of a balanced fixed and variable remuneration structure, to appropriately motivate individuals.

Remuneration component	Vehicle	Purpose	Link to performance
Fixed remuneration	• Comprises base salary, superannuation contributions and other benefits.	• To provide competitive fixed remuneration set with reference to role, market and experience.	• Company and individual performance are considered during the annual remuneration review. • Characteristics of individuals (including incumbent's experience, reputation and "value" to the Company) and complexity of the position are also considered.
STIP	• Paid in cash, with part deferred and subject to claw back.	• Rewards executives for their contribution to achievement of Group and/or business unit outcomes, as well as business unit and personal key performance indicators (**KPIs**).	• Pre-tax profit targets are the key financial metric and acts as a funding gate. • Linked to other non-financial measures, such as safety performance, forward work in hand and other qualitative measures specific to the individual's role and responsibilities.
LTIP	• Awards are made in the form of performance rights.	• Rewards Senior Executives for their contribution to the creation of shareholder value over the longer term.	• Vesting of awards is dependent on achievement of Earnings Per Share (**EPS**) and Total Shareholder Return (**TSR**) performance measures relative to internal targets and a chosen peer group respectively.
Other	• Cash payments for achievement of specific targets that do not operate under the terms of the STIP or LTIP.	• Rewards selected Senior Executives for their contribution in achieving specific targets and is also used as a retention scheme.	• Payment is linked to the achievement of specific performance or service objectives not otherwise covered by the STIP or LTIP.

The Group's aim is to reward Senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Company and individuals, and the broader economic environment. This review is conducted in consultation with independent remuneration consultants where appropriate.

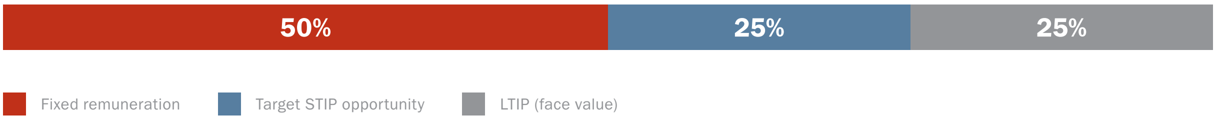
The following diagrams summarise the Remuneration Committee's CEO/CFO and other Senior Executives' current targeted remuneration mix. The Remuneration Committee is aware that the current remuneration mix is, in most cases, more heavily weighted to "at-risk" payments than the Group's competitors, however this has been deemed appropriate given the strong desire to link executive remuneration outcomes to shareholder value creation.

CEO/CFO

Target remuneration mix

Senior Executives

Target remuneration mix



6.3.2 Remuneration structure

For the 2014 financial year, Senior Executives' remuneration packages included a mix of fixed remuneration, long-term incentives (at-risk), short-term incentives (at-risk) and other at-risk remuneration incentives, as is illustrated in the table below.

Component	Composition	Assessment	At Risk?
Fixed remuneration	Base salary, allowances and other statutory benefits	Based on responsibilities and performance.	No
Short term incentive	Cash and Performance rights	Achievement of weighted individual, business unit and Group STI targets, and individual performance measures.	Yes
Long term incentive	Performance rights	Achievement of EPS and TSR performance measures relative to internal targets and a chosen peer group respectively.	Yes
Other	Cash	Achievement of specific performance or service objectives not otherwise covered by the STIP or LTIP.	Yes

6.3.2.1 Fixed remuneration

Fixed remuneration consists of base salary, superannuation contributions and other benefits. Other benefits include motor vehicle and other allowances. The Group pays fringe benefits tax on these benefits where necessary.

Fixed remuneration is reviewed annually by the Remuneration Committee and in discussion with external remuneration consultants when required.

The review process considers individual, business unit and overall Group performance, as well as changing market, industry and economic circumstances. Adjustments are made to reflect appropriate market levels, taking into account factors such as alignment with competitors, skill, experience, contribution, "value" to the Company and length of service.

6.3.2.2 Performance linked remuneration

Performance linked remuneration includes short term, long term and other incentives and is designed to reward Senior Executives for meeting or exceeding the organisation's strategic and financial objectives.

The Group's STIP is an at-risk component of Senior Executive's remuneration provided in the form of cash and performance rights, which are subject to specific claw back mechanisms.

The Group's LTIP is also an at-risk component of Senior Executive's remuneration and is provided in the form of performance rights.

An additional performance-linked incentive was in place for two Senior Executives in the 2014 financial year.

STIP

Watpac's STIP has been designed to ensure the Group's remuneration framework is aligned with both the business strategy and the remuneration structures of other publicly listed companies in Australia.

The STIP is structured in a manner whereby cash and awards (performance rights, being a right to acquire fully paid ordinary shares in the Company for nil consideration) are payable/granted to Senior Executives subject to meeting certain pre-determined financial and operational performance targets and vesting conditions.

At or around the commencement of each financial year, with the endorsement of the Board, the Remuneration Committee will set Senior Executives specific STI targets, being:

- their individual target STI amount, representing two thirds of the maximum amount payable as a STI for the new financial year;
- a Group performance STI target, representing the underlying net profit before tax target of the Group for the financial year;
- a Business unit performance STI target, representing the underlying net profit before tax target of the applicable business unit(s) relevant to that Senior Executive for the financial year;
- the percentage weighting that achieving the Group performance STI target and business unit performance STI targets will have towards their total maximum STI amounts; and
- individual performance measures, representing Senior Executives' individual performance targets.

The individual performance measures, which include non-financial criteria, are detailed in the table below.

Non-Financial Criteria	
Safety	• Achieve Group target safety benchmarks, which are set annually in advance. Proactively champion safety leadership and implement best practices. Provide timely and accurate advice on occupational health and safety incidents and/or breaches to the Group Senior Executive Team and Board.
Forward work and future growth	• Deliver or assist and support divisions to deliver business unit or Group forward work targets, set annually in advance.
People and leadership	• Contain controllable employment related costs through effective leadership practices, proactive people management, achievement of low voluntary attrition rates, and compliance with relevant legislation.
One Team	• Demonstrate and promote interdivisional co-operation and collaboration including tender assistance, client introductions, information sharing, and resource sharing.
Watpac Brand	• Contribute to the creation of positive branding to promote and enhance Watpac's reputation with clients, suppliers and employees/candidates.
Business Development	• Proactively maintain and enhance all client relationships to deliver higher levels of profitable repeat work opportunities and to achieve positive references for any work undertaken.
Values	• Demonstrate and champion actions and behaviours that are consistent with the Watpac Core Values.
Diversity	• Demonstrate and champion appropriate actions and behaviours that support achievement of Group diversity and gender equity objectives.

An invitation to participate in the Group's STIP is made annually to Senior Executives of the Company at the sole discretion of the Board. All KMP (excluding Non-executive Directors and the General Manager Construction) participated in the FY14 plan and will also participate in the FY15 STIP.

Additional details relating to the operation of the STIP and how awards are calculated are included in the table below.

<table>
<tr><th>Element</th><th>Reference</th><th>Details</th></tr>
<tr><td>Target STI Amount</td><td>A</td><td>66.67% of the maximum amount payable as an STI for the upcoming financial year.</td></tr>
<tr><td>Group Performance Conditions</td><td>B</td><td>The Group performance STI target, expressed as net profit before tax attributable to ordinary equity holders of the Group, adjusted for non-recurring or abnormal items.</td></tr>
<tr><td>Group Performance Weighting</td><td>C</td><td>The percentage weighting the Group performance STI target has towards the maximum amount payable as an STI.</td></tr>
<tr><td>Business Unit Performance Conditions</td><td>D</td><td>The business unit(s) performance STI target(s), expressed as net profit before tax attributable to ordinary equity holders of the Group adjusted for non-recurring or abnormal items.</td></tr>
<tr><td>Business Unit Performance Weighting</td><td>E</td><td>The percentage weighting the business unit(s) performance STI target(s) has (have) towards the maximum amount payable as an STI.</td></tr>
<tr><td>Individual Performance Conditions</td><td>F</td><td>Details of individual performance targets relating to the STI, the performance against which Senior Executives will be assessed and provided a rating of between 0.5 and 1.50.</td></tr>
<tr><td>Total STI Entitlement</td><td>G</td><td>Calculated as:<table><tr><td>B and D met</td><td>B only met</td><td>D only met</td><td>Neither B nor D met</td></tr><tr><td>F x A</td><td>F x A x C</td><td>F x A x E</td><td>Nil</td></tr></table></td></tr>
<tr><td>Payment Conditions</td><td>H</td><td>Payment to be made as:
• Cash – 75% x G; and
• Performance rights – 25% x G (Board discretion to pay as cash retained)
The number of performance rights issued will be calculated with reference to the relevant award amount and the volume weighted average price of Watpac shares sold on ASX on the five trading days prior to the grant date. Performance rights issued under the STIP are subject to an 18 month time-based vesting period and specific clawback conditions. The 18 month vesting period was deemed appropriate given it allows for a full financial year and further half years' financial results to be determined prior to Senior Executives benefitting from 25% of their total STI entitlement. In addition, the value of these deferred awards made to Senior Executives are subject to change over this vesting period, which directly aligns the final value of the award to share price changes.</td></tr>
</table>

FY14 STIP

The Target STI Amounts for each Senior Executive participating in the FY14 STIP (as defined in the table above) were set as follows:

Name	Target STI amount
Mr M G Monro	$421,134
Mr M A Baker	$212,988
Mr R J Hall	$276,226

Mr E D Edwards' target STI amount was $100,000, however he did not participate in the STIP given it was not deemed appropriate for him given his specific circumstances. Mr E D Edwards had indicated his intention to retire from his position as General Manager Construction in the first half of the 30 June 2015 financial year.

The business unit performance conditions applicable to Senior Executives in relation to the FY14 STIP are as follows:

Name	Business unit weighting towards overall Target STI	Business Unit
Mr M G Monro	30%	Given the CEO's role encompasses all Group activities, the financial performance of each business unit are weighted equally and represent sub-business unit performance measures.
Mr M A Baker	30%	Given the CFO's role encompasses all Group activities, the financial performance of each business unit are weighted equally and represent sub-business unit performance measures.
Mr R J Hall	50%	The National Mining and WA Civil business unit.

For commercially sensitive reasons specific STIP targets are not published, however the Remuneration Committee believe that all targets are set at levels appropriate given the recent financial performance of the Company and market expectation of acceptable return levels.

As noted in section 5 of the Directors' Report, as at the date of this report the Remuneration Committee has not made any determination as to whether Business Unit Performance Conditions were achieved in FY14. This will be decided in September 2014 and as such no STI has been accrued for any Senior Executive relating to FY14 financial performance in the reported 30 June 2014 Group financial results.

FY15 STIP

The Target STI Amounts for each Senior Executive participating in the FY15 STIP (as defined in the table above) are set as follows:

Name	Target STI amount
Mr M G Monro	$427,326
Mr M A Baker	$214,659
Mr R J Hall	$298,079

The Remuneration Committee and Board have determined that all conditions applicable to FY14 STIP will remain in place for the FY15 STIP.

LTIP

The LTIP is structured in a manner whereby awards (described as performance rights) granted to Senior Executives are a right to acquire fully paid ordinary shares in the Company for nil consideration, subject to meeting certain pre-determined vesting conditions. Performance rights awards will be made annually to Senior Executives of the Company at the sole discretion of the Board. All Senior Executives with the exception of Mr E Edwards participate in the LTIP.

LTIP performance rights vest three years following the date of grant, subject to the achievement of two discrete performance measures:

- EPS targets, which represent 60% of the total grant; and
- relative TSR targets, which represent 40% of the total grant.

EPS will be measured on an absolute basis against Compound Annual Growth Rate (**CAGR**) targets set by the Board. TSR will be measured relative to a group of companies determined by the Board as an appropriate comparator group for Watpac at the date of grant.

The higher weighting attributed to the absolute EPS measure is considered appropriate given the views expressed by the Company's shareholders as to what they believed to be the most important long term financial performance indicator of the Group. In addition, Senior Executives have a greater line of sight over the EPS measure compared to the market-based measure of TSR.

EPS

The proportion of the performance rights that vest subject to meeting EPS targets will be determined based on Watpac’s actual aggregate EPS over the three-year vesting period, compared to aggregate EPS that would need to be achieved to deliver CAGR targets, as set out below.

Actual cumulative EPS relative to CAGR targets	Proportion of EPS grant vesting (FY13 & FY14)	Proportion of EPS grant vesting (FY15)
< X	0	0
> X, but < Y	Straight line vesting between 0% and 100%	Straight line vesting between 50% and 100%
> Y	100%	100%

Where:

- X = minimum CAGR target; and
- Y = maximum CAGR target

TSR

Relative TSR provides a strong link to shareholder returns and requires demonstrable value to have been created (relative to the selected comparator group) before awards vest. The use of TSR links a significant portion (40%) of Senior Executives’ LTI earnings capacity to a market-based measure.

The proportion of the performance rights that vest subject to meeting TSR targets will be determined based on Watpac’s TSR relative to a comparator group determined by the Remuneration Committee, as set out below.

TSR of Watpac relative to TSR of comparator group of companies	Proportion of TSR grant vesting
<50th percentile	0
51st – 75th percentile	Straight line vesting between 50% and 100%
>75th percentile	100%

Watpac’s TSR performance will be assessed over three years commencing with the start of the financial year in which the grant of performance rights is made. Assessment of Watpac’s performance against the performance measures will be conducted by a suitably qualified external consultant.

Vesting Period

A three-year performance period has been deemed appropriate to Watpac’s business and is in line with market practice and shareholder advisory group views. This vesting period will also encourage employee retention and sustained longer-term performance.

The Remuneration Committee will be giving consideration to longer term testing periods over the coming year, in response to recent general market commentary in relation to the expected tenure of long term incentive plans.

Other Plan Details

Performance will not be re-tested where the award (or a proportion of the award) does not vest after the three-year performance period. Performance rights will not attract dividends or voting rights until they are exercised and shares acquired.

There are no disposal restrictions on the performance rights.

Performance rights granted and on issue to Senior Executives

Following is a summary of the performance rights granted to the Group's KMP (assessed with reference to the KMP in office as at the end of the current and prior financial years), in accordance with the LTIP terms noted above:

	21 August 2012 Grant	27 August 2013 Grant	8 August 2014 Grant
Number of Performance rights	Mr M G Monro – 440,000 Mr M A Baker – 200,000 Mr G J Sneyd – 60,000 Mr R M McDonald – 60,000 Mr R J Hall – 125,000	Mr M G Monro – 440,000 Mr M A Baker – 200,000 Mr R M McDonald – 60,000 Mr R J Hall – 125,000 Mr E D Edwards did not participate in the FY14 LTIP grant as the long term nature of this award was deemed not to be an appropriate performance incentive.	Mr M G Monro – 440,000 Mr M A Baker – 200,000 Mr R J Hall – 100,000 Mr E D Edwards did not participate in the FY15 LTIP grant as the long term nature of this award was deemed not to be an appropriate performance incentive.
Targets	*EPS* Minimum CAGR Target – 20% Maximum CAGR Target – 30% Calculated with reference to the underlying EPS of 8.29 cents per share delivered in FY12. *TSR* TSR Peer Group – refer Group A below	*EPS* Minimum CAGR Target – 61% Maximum CAGR Target – 73% Calculated with reference to the underlying EPS of 4.32 cents per share delivered in FY13. *TSR* TSR Peer Group – refer Group A below	*EPS* Minimum CAGR Target – 38% Maximum CAGR Target – 52% Calculated with reference to the underlying EPS of 9.93 cents per share delivered in FY14. *TSR* TSR Peer Group – refer Group B below

TSR Peer Group Selection Criteria

In choosing an appropriate peer group for Watpac, the Remuneration Committee identified companies that:

- investors would see as Watpac's competitors in terms of business and operation; and
- exhibit similar investment characteristics in terms of cyclicality, market capitalisation and volatility.

Companies are selected that exhibit similar characteristics to Watpac in terms of business cyclicality, market capitalisation, volatility, business and operations and were therefore considered by the Remuneration Committee to be appropriate peers to Watpac.

TSR Peer Group A

In FY13 and FY14, Watpac's business was engaged in building construction, civil construction, contract mining, and property development, with the majority of the Group's equity over this time period invested in property and plant & equipment assets. In consideration of the Group's operations and peer group size requirements, for the 2012 and 2013 LTIP grants the Committee developed a TSR comparator group of twenty comparable companies (including Watpac), which included several civil & mining companies and five property development companies.

Following an extensive review of the constituents of the ASX All Ordinaries Index, the Remuneration Committee concluded on a peer group comprising AVJennings Limited, Devine Limited, Sunland Group Limited, Finbar Group Limited, Cedar Woods Properties Limited, WDS Limited, AJ Lucas Group Limited, Seymour Whyte Limited, Global Construction Services Limited, Southern Cross Electrical Engineering Ltd, Gr Engineering Services Limited, RCR Tomlinson Limited, Lycopodium Limited, MACA Limited, Sedgman Limited, Decmil Group Limited, Ausenco Limited, Forge Group Limited, Macmahon Holdings Limited and Clough Limited. The first five companies are in the Real Estate Management & Development Industry and the remainder are in the Construction & Engineering Industry, according to Global Industry Classification Standard codes.

TSR Peer Group B

Given the level of equity investment in the various Watpac business units has changed recently, in accordance with the new strategic plan developed in late FY13/early FY14, the Remuneration Committee determined that it was appropriate for the peer group to be reviewed for the 2015 LTIP grants. This review, which was completed in consultation with external consultants, determined that a new peer group comprising the following companies was appropriate:

MACA Limited, Decmil Group Limited, NRW Holdings Limited, AJ Lucas Group Limited, Seymour Whyte Limited, WDS Limited, Macmahon Holdings Limited, Calibre Group Limited, Sedgman Limited, Gr Engineering Services Limited, Boart Longyear Limited, Ausenco Limited, Global Construction Services Limited, Lycopodium Limited, Southern Cross Electrical Engineering Ltd, Logicamms Limited, Devine Limited, PBD Developments Limited and Folkestone Limited.

This new peer group reflects Watpac's reducing level of investment in property assets, and recent reinvestment of capital into its construction and civil and mining operations, and also takes into consideration the current market capitalisation of the Company.

6.3.2.3 Other incentives

Other performance-linked incentives were in place for two Senior Executives in the 2014 financial year. These were considered appropriate by the Remuneration Committee and the Board given its specific objectives during this period. Details of these payments are as follows:

Name	Payment	Details	Ongoing
Mr M A Baker	$75,000	Retention bonus based on continuing employment with the Group. Amount paid was a pre-agreed, set amount.	Yes – FY15
Mr E D Edwards	$50,000	Bonus linked to financial performance of the Construction Business units in FY13, under terms agreed prior to Mr Edwards becoming a KMP. The amount was paid after completion of the Group's FY13 financial statements.	No

6.3.2.4 Company performance and consequences on shareholder wealth

The financial performance measure driving STIP payment outcomes is net profit before tax excluding non-recurring and abnormal items compared against Board approved pre-tax profit targets.

Performance under the current LTIP is assessed with reference to cumulative EPS over a three-year period and Watpac's TSR performance relative to a selected list of comparator entities.

In considering the Group's performance and consequences on shareholder wealth, the Remuneration Committee also assess a number of other important financial indices of the Group.

The following table outlines these financial metrics over the five-year period from 1 July 2009 to 30 June 2014.

	2014	2013	2012	2011	2010
Profit/(loss) attributable to the members of the Company ($000's)	**17,854**	(4,674)	(50,244)	16,825	26,896
Underlying net profit/(loss) attributable to the members of the Company ($000's)*	**18,369**	7,972	15,300	16,825	26,896
Dividends paid/payable in relation to financial performance during year (cents)	**6.0**	Nil	1.5	6.0	11.0
Change in share price – 30 June less 1 July ($)	**0.26**	(0.04)	(0.82)	0.18	(0.06)
Return on shareholders funds (%)	**7.03**	(1.96)	(20.73)	5.60	10.52
Total shareholder return (%)	**51.82**	(6.78)	(54.68)	21.49	14.10

* While the Group's statutory financial results have been audited in each of the financial years listed above, the underlying net profit/(loss) has not been reviewed or audited by the Company's auditor.

6.3.3 Summary of Senior Executives' contracts

It is the Group's policy that service contracts for Senior Executives, including the Chief Executive Officer and Chief Financial Officer/Company Secretary, are unlimited in term but capable of termination in accordance with their contracts. With reference to the Chief Executive Officer and Chief Financial Officer/Company Secretary, this is six months. Service contracts for other Senior Executives can be terminated with 3 months notice.

The Group retains the right to terminate all service contracts with Senior Executives immediately by making payment in lieu of notice or as otherwise mutually agreed between the parties. On termination of employment, Senior Executives are also entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Service contracts outline the components of remuneration paid to Senior Executives in accordance with the Group's remuneration policy. Fixed remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed and any changes required to meet the principles of the Group's remuneration policy and strategy.

Senior Executives have no entitlements to payment in lieu of notice in the event of removal for misconduct.

6.3.4 Outcome of Senior Executive benchmarking process

As is noted above, in June 2014 the Remuneration Committee engaged Ernst & Young to provide market remuneration information for KMP. This report provided factual information relating to Senior Executive remuneration (being fixed remuneration, awarded total remuneration and total target remuneration) assessed against the following comparator groups:

Market Capitalisation Comparator Group (Market Capitalisation) – being ten companies ranked above and ten companies ranked below Watpac's 12-month average market capitalisation (calculated to 30 April 2014) in the S&P/ASX 300 (**ASX 300**).

Industry Comparator Group (Industry) – ASX 300 companies within the "Real Estate Management and Development" and "Construction and Engineering" Global Industry Classification Standard (**GICS**) industry and which had market capitalisations of 50% to 200% of Watpac's 12-month average market capitalisation (calculated to 30 April 2014).

ASX 100 Industry Comparator Group (**ASX Industry**) – S&P/ASX 100 (**ASX 100**) companies within the "Real Estate Management and Development" and "Construction and Engineering" GICS industry.

These comparator groups were used in the following manner for each Senior Executive:

	Chief Executive Officer	Chief Financial Officer	General Manager – National Mining & WA Civil	General Manager – Construction
Market Capitalisation	✓	✓	✓	✓
Industry	✓	✓	✓	✓
ASX 100 Industry	✓	x	x	x

For context, below is a summary of the positioning of Watpac's market capitalisation and revenue relative to the comparator groups:

Comparator group	Watpac compared to the comparator group	
	Market capitalisation	Revenue
Market Capitalisation	At the median	Above the 75th percentile
Industry	Below the 25th percentile	Above the 75th percentile
ASX 100 Industry	Below the 25th percentile	Below the median

The key findings of this review are summarised in the following tables:

Fixed remuneration positioning	Chief Executive Officer	Chief Financial Officer	General Manager – National Mining & WA Civil	General Manager – Construction
Market Capitalisation	At the 75th percentile	At the 75th percentile	Above the 75th percentile	Above the 75th percentile
Industry	Above the median	At the median	Above the 75th percentile	Above the 75th percentile
ASX 100 Industry	Above the median	N/A	N/A	N/A

Awarded total remuneration positioning	Chief Executive Officer	Chief Financial Officer	General Manager – National Mining & WA Civil	General Manager – Construction
Market Capitalisation	At the median	At the median	At the 75th percentile	At the 75th percentile
Industry	At the median	Below the median	Above the 75th percentile	At the 75th percentile
ASX 100 Industry	At the median	N/A	N/A	N/A

Target total remuneration positioning	Chief Executive Officer	Chief Financial Officer	General Manager – National Mining & WA Civil	General Manager – Construction
Market Capitalisation	Above the median	Below the average	Insufficient data	Insufficient data
Industry	Above the median	At the median	Insufficient data	Insufficient data
ASX 100 Industry	Insufficient data	N/A	N/A	N/A

In undertaking an assessment of this benchmarking process, the Remuneration Committee noted there remains a significant number of competitors to the Group (and with whom the Company competes for talent) that operate as unlisted private companies. These include, but are not limited to Brookfield Multiplex, Probuild, Hansen Yuncken, McConnell Dowell, Hutchinson, Built, Grocon, BMD, and subsidiaries of listed firms such as John Holland and Thiess.

Remuneration of Senior Executives of private companies such as these are not made publicly available and as such did not form part of the Ernst & Young review.

Through network affiliations and a continual analysis of actual current market placements and rates, the Group is aware of the remuneration levels being offered to Senior Executives at these private companies. One of the key findings relating to private company competitor remuneration structures is that, given these organisations are unlisted, there is limited to no liquidity in shares and as such share based payments (being at-risk remuneration) is low in comparison to fixed remuneration levels. This matter was considered by the Remuneration Committee in assessing Senior Executive remuneration.

As a consequence of this review and in light of the individual and position-specific considerations, the Remuneration Committee has concluded that the current remuneration levels of Senior Executives are acceptable and appropriate. The Remuneration Committee believes, however, that there still remains an imbalance between fixed and at-risk remuneration relativities, and consequently, fixed remuneration levels for Senior Executives will remain unchanged in FY15.

In making this determination the Remuneration Committee did acknowledge that the performance conditions applicable to achieving historical awards under the STIP and LTIP have been difficult to achieve, and as such has elected to take a more balanced approach to setting these conditions for the operation of both plans in FY15. Details of these conditions and those relating to the operation of the plans are included in sections 6.3.2.2 of this Remuneration Report.

6.4 Directors' remuneration

At the 2011 Watpac Annual General Meeting (**AGM**) the Directors sought and received shareholder approval for an increase to the Directors' annual aggregate fee pool to $1,100,000. As was stated in the Explanatory Memorandum accompanying the 2011 Notice of AGM, the increase was not sought to immediately increase Directors' fees, rather was to allow flexibility to appoint additional new Directors in the future. Part of this enhanced fee pool has been utilised in the last two financial years, following the appointment of additional Directors as part of the Board rejuvenation process.

The Company's Directors do not receive additional remuneration for membership of, or attendance on, any Board committees. The level of Directors' fees is subject to rigorous market–based testing and advice from independent remuneration consultants.

In the 2014 financial year, data was obtained by the Remuneration Committee from Ernst & Young to market test the value of the Directors' fees. This information suggested that an overall rise in fees was warranted, particularly given no fees are payable for committee membership.

As indicated above, total remuneration for all Directors of the Company is not to exceed $1,100,000 per annum. The fixed fee remuneration structure currently applicable to Directors, irrespective of their additional roles in board committees is as follows:

- Chair of Board – $195,000 per annum
- All other Directors – $95,000 per annum

These fee levels include all statutory entitlements such as superannuation and cover preparation and attendance at all Board and Committee meetings, irrespective of the number of meetings held during a financial year. Additional fees may be payable to Directors or their related entities should they undertake specific consulting projects for the Company in the areas of their expertise.

Fees paid or payable to the Company's current Directors over the past five years have been included in the table below:

Director Name	FY10	FY11	FY12	FY13	FY14	Note
Mr C R Freeman	N/A	$15,833	$126,860	$195,000	$195,000	**A**
Mr R B McGruther	$95,000	$95,000	$95,000	$95,000	$95,000	
Mr J C M C Beerlandt	N/A	N/A	N/A	$9,194	$95,000	**B**
Mr B C Bowton	N/A	N/A	N/A	N/A	$80,263	**C**
Mr G J Dixon	N/A	N/A	N/A	N/A	$35,983	**D**
Mr R J Lette	$95,000	$95,000	$95,000	$95,000	$95,000	
Mr D M Little	$95,000	$95,000	$95,000	$95,000	$95,000	
Mr K A Mooney	N/A	$15,833	$95,000	$95,000	$95,000	**E**
Mr K W Seymour	$195,000	$195,000	$163,737	$95,000	$22,639	**F**

A – Mr C R Freeman was appointed a Director on 5 May 2011 and Chair of the Board on 7 March 2012

B – Mr J C Beerlandt was appointed a Director on 27 May 2013

C – Mr B C Bowton was appointed a Director on 28 August 2013

D – Mr G J Dixon was appointed a Director on 12 February 2014

E – Mr K A Mooney was appointed a Director on 5 May 2011

F – Mr K W Seymour was Chair of the Board until 7 March 2012 and resigned as a Director on 24 September 2013

There has been no increase in Directors' fees since the 30 June 2007 financial year.

There is no current retirement scheme applicable to non-executive Directors, however benefits accumulated up until the termination of the old scheme in 2003 remain in place. This previous scheme, which is no longer in operation for Directors appointed after this time, was based on a pre-requisite of five years of service as a Director. The scheme provided for one off payments to retiring non-executive Directors of $60,000 (adjusted annually by CPI) and $90,000 for the Chair (adjusted annually by CPI), from 1 July 2003. The current value of retirement benefits accrued as at 30 June 2014 is as follows:

Director Name	Original benefit at 1 July 2003	Value of benefit (adjusted for CPI) at 1 July 2013	CPI Adjustment FY14	Benefits paid FY14	Value of benefit (adjusted for CPI) at 30 June 2014
Mr C R Freeman	N/A	-	-	-	-
Mr R B McGruther	$60,000	$80,906	$2,346	-	$83,252
Mr J C M C Beerlandt	N/A	-	-	-	-
Mr B C Bowton	N/A	-	-	-	-
Mr G J Dixon	N/A	-	-	-	-
Mr R J Lette	$60,000	$80,906	$2,346	-	$83,252
Mr D M Little	$60,000	$80,906	$2,346	-	$83,252
Mr K A Mooney	N/A	-	-	-	-
Mr K W Seymour*	$90,000	$121,358	$716	($122,074)	-

* Mr Seymour’s accrued benefit was paid in FY14 following his retirement as a Non-executive Director of the Company in September 2013.

The Remuneration Committee will continue to market test the quantum of fees paid to Directors and the manner of payment. An assessment has been made as to whether a base fee plus Board committee membership and attendance fee is a more appropriate method of remunerating the Company’s Directors. Given committee membership is split relatively evenly amongst Directors, this was not deemed appropriate in FY14. The assessment of the structure of Directors’ remuneration is, however, ongoing.

6.5 Directors’ and Senior Executives’ remuneration

The table overleaf has been prepared in accordance with the requirements of the *Corporations Act 2001* and relevant accounting regulations in Australia.

Remuneration disclosures have been presented on both a statutory and non-statutory (or cash) basis. The non-statutory basis, which hasn’t been reviewed or audited by the Company’s auditor, excludes accounting accruals recorded for the amortisation of unvested share based payments, director retirement benefits and movements in annual leave and long-service leave balances. Total remuneration has been disclosed in this manner to more appropriately present the remuneration actually paid to KMP in the reporting period.

Note, remuneration disclosures relate to earnings for the full financial year, notwithstanding some employees were not KMP for the full year.

		Short-term				
	Year	Salary & fees $	STIP accrual $	Other cash bonuses $	Insurance benefits $	Non-monetary benefits accounting accrual (i) $
Non-executive directors						
Mr C R Freeman (Chair)	**2014**	**195,000**	**-**	**-**	**-**	**-**
	2013	195,000	-	-	-	-
Mr R B McGruther (Deputy Chair)	**2014**	**95,000**	**-**	**-**	**-**	**-**
	2013	95,000	-	-	-	-
Mr J C M C Beerlandt	**2014**	**95,000**	**-**	**-**	**-**	**-**
(from 27 May 2013)	2013	9,194	-	-	-	-
Mr B C Bowton	**2014**	**80,263**	**-**	**-**	**-**	**-**
(from 28 August 2013)	2013	-	-	-	-	-
Mr G J Dixon	**2014**	**35,983**	**-**	**-**	**-**	**-**
(from 12 February 2014)	2013	-	-	-	-	-
Mr R J Lette	**2014**	**95,000**	**-**	**-**	**-**	**-**
	2013	95,000	-	-	-	-
Mr D M Little	**2014**	**95,000**	**-**	**-**	**-**	**-**
	2013	95,000	-	-	-	-
Mr K A Mooney	**2014**	**95,000**	**-**	**-**	**-**	**-**
	2013	95,000	-	-	-	-
Former directors						
Mr K W Seymour	**2014**	**22,639**	**-**	**-**	**-**	**-**
(Non-executive director to 24 September 2013)	2013	95,000	-	-	-	-
Executives						
Mr M G Monro	**2014**	**818,243**	**-**	**-**	**9,602**	**18,123**
	2013	839,730	-	-	9,602	52,906
Mr M A Baker	**2014**	**401,950**	**-**	**75,000**	**2,162**	**12,074**
	2013	400,000	-	50,000	2,162	14,802
Mr E D Edwards	**2014**	**421,928**	**-**	**50,000**	**69,954**	**(15,423)**
(General Manager – Construction from 23 August 2013)	2013	430,000	-	75,000	69,954	8,760
Mr R J Hall	**2014**	**528,276**	**-**	**-**	**38,817**	**8,836**
	2013	526,250	-	210,000	38,817	20,268
Former executives						
Mr R M McDonald	**2014**	**355,572**	**-**	**-**	**3,183**	**(48,905)**
(General Manager – Property to 16 May 2014)	2013	402,530	-	155,167	3,619	1,827
Total compensation: key management personnel	**2014**	**3,334,854**	**-**	**125,000**	**123,718**	**(25,296)**
(Consolidated)	2013	3,277,704	-	490,167	124,154	98,563
Total compensation: key management personnel	**2014**	**808,885**	**-**	**-**	**-**	**-**
(Parent)	2013	679,194	-	-	-	-

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

(i) The majority of non-monetary benefits represent movement in leave balances of KMP.

Post-employment							
Superannuation benefits $	Termination /Retirement benefits accrued $	Termination /Retirement benefits paid $	LTIP (share based payments accounting accrual) $	Total Remuneration (statutory basis) $	Proportion of remuneration performance related (at risk) %	Value of performance rights as proportion of remuneration %	Total Remuneration (non-statutory/ cash basis) $
-	**-**	**-**	**-**	**195,000**	**0.00%**	**0.00%**	**195,000**
-	-	-	-	195,000	0.00%	0.00%	195,000
-	**2,346**	**-**	**-**	**97,346**	**0.00%**	**0.00%**	**95,000**
-	1,973	-	-	96,973	0.00%	0.00%	95,000
-	**-**	**-**	**-**	**95,000**	**0.00%**	**0.00%**	**95,000**
-	-	-	-	9,194	0.00%	0.00%	9,194
-	**-**	**-**	**-**	**80,263**	**0.00%**	**0.00%**	**80,263**
-	-	-	-	-	0.00%	0.00%	-
-	**-**	**-**	**-**	**35,983**	**0.00%**	**0.00%**	**35,983**
-	-	-	-	-	0.00%	0.00%	-
-	**2,346**	**-**	**-**	**97,346**	**0.00%**	**0.00%**	**95,000**
-	1,973	-	-	96,973	0.00%	0.00%	95,000
-	**2,346**	**-**	**-**	**97,346**	**0.00%**	**0.00%**	**95,000**
-	1,973	-	-	96,973	0.00%	0.00%	95,000
-	**-**	**-**	**-**	**95,000**	**0.00%**	**0.00%**	**95,000**
-	-	-	-	95,000	0.00%	0.00%	95,000
-	**716**	**-**	**-**	**23,355**	**0.00%**	**0.00%**	**144,713**
-	2,960	-	-	97,960	0.00%	0.00%	95,000
25,000	**-**	**-**	**150,216**	**1,021,184**	**14.71%**	**14.71%**	**852,845**
25,000	-	-	86,240	1,013,478	8.51%	8.51%	874,332
25,000	**-**	**-**	**68,280**	**584,466**	**24.51%**	**11.68%**	**504,112**
25,000	-	-	39,200	531,164	16.79%	7.38%	477,162
24,306	**-**	**-**	**-**	**550,765**	**9.08%**	**0.00%**	**566,188**
25,000	-	-	-	546,275	13.73%	0.00%	537,516
25,000	**-**	**-**	**42,675**	**643,604**	**6.63%**	**6.63%**	**592,093**
25,000	-	-	24,500	768,420	30.52%	3.19%	723,653
15,391	**-**	**308,299**	**(11,760)**	**621,780**	**N/A**	**N/A**	**682,445**
25,000	-	-	11,760	599,903	27.83%	1.96%	586,316
114,697	**7,754**	**308,299**	**249,411**	**4,238,438**			**4,128,642**
125,000	8,879	-	161,700	4,147,314			3,878,172
-	**7,754**	**-**	**-**	**816,639**			**930,959**
-	8,879	-	-	688,073			679,194

6.6 Other statutory disclosures

6.6.1 Analysis of options over equity instruments granted as remuneration

Options over equity instruments in the Company were previously issued at the discretion of the Board under the Employee Share Option Plan (**ESOP**), in accordance with thresholds set in plans approved by shareholders at the 2006 Watpac Annual General Meeting. The ESOP provided for Watpac employees to receive, for no consideration, options over ordinary shares in the Company. The ability to exercise the options is conditional only upon achievement of service period based vesting conditions.

A number of these options were issued to certain Senior Executives who were employees of the Company at the time of issue. Under the terms of this plan eligible Senior Executives were issued options over ordinary shares of Watpac in 2006, for nil consideration, exercisable at $2.45/share. Some of these options remain exercisable, with all such options due to expire on 25 October 2014.

The Remuneration Committee has previously determined that this scheme is no longer appropriate for Senior Executives, as there are no performance based criteria that affect employees' ability to realise share entitlements. However, the Company is prohibited from cancelling the current scheme and as such it will remain in place for Senior Executives until the underlying options are cancelled or expire.

Details and the vesting profiles of the options granted as remuneration to Senior Executives of the Group are as follows:

	Options granted		Vested in year	Forfeited in year	Expired In year	Financial years in which grant vested	Expiry Date
	Number	Date					
Mr M G Monro	137,500	25 October 2006	-%	-%	-%	30 June 2010	25 October 2014
Mr E D Edwards	137,500	25 October 2006	-%	-%	-%	30 June 2010	25 October 2014
Mr R M McDonald*	137,500	25 October 2006	-%	100%	-%	30 June 2010	25 October 2014

** Options were forfeited in May 2014*

No options have been granted under the ESOP to Senior Executives since October 2006. The previously issued options were provided at no cost to the recipients.
No options that have vested were exercised during the 30 June 2014 financial year.

All options expire on the earlier of their expiry date or termination of the individual's employment. Further details of the Employee Share Option Plan are included in Note 22(c) to the financial statements.

6.6.2 Analysis of movement in options

The movement during the reporting period by value and number of options over ordinary shares in Watpac Limited held by Directors and Senior Executives is detailed below.

	As at 1 July 2013	Granted in year	Exercised in year	Forfeited in year	Expired in year	As at 30 June 2014	Vested and exercisable at 30 June 2014
By value							
Mr M G Monro	$81,125	-	-	-	-	$81,125	$81,125
Mr E D Edwards	$81,125	-	-	-	-	$81,125	$81,125
Mr R M McDonald	$81,125	-	-	($81,125)	-	-	-
By number							
Mr M G Monro	137,500	-	-	-	-	137,500	137,500
Mr E D Edwards	137,500	-	-	-	-	137,500	137,500
Mr R M McDonald	137,500	-	-	(137,500)	-	-	-

The value of options forfeited in the year represent the fair value of the options at the October 2006 grant date calculated using a Black-Scholes model.

6.6.3 Analysis of performance rights granted as remuneration

The Group's current LTIP is structured in a manner whereby awards (described as performance rights) granted to Senior Executives are a right to acquire fully paid ordinary shares in the Company for nil consideration, subject to meeting certain pre-determined vesting conditions.

Details and the vesting profiles of the performance rights granted as at 30 June 2014 as remuneration to each Senior Executive of the Group (excluding Mr E Edwards) are as follows:

	Rights granted		Vested in year	Forfeited in year	Expired In year	Financial years in which grant vests
	Number	Date				
Mr M G Monro	440,000	14 September 2012	-%	-%	-%	30 June 2015
Mr M G Monro	440,000	27 August 2013	-%	-%	-%	30 June 2016
Mr M G Monro	440,000	8 August 2014	-%	-%	-%	30 June 2017
Mr M A Baker	200,000	13 September 2012	-%	-%	-%	30 June 2015
Mr M A Baker	200,000	27 August 2013	-%	-%	-%	30 June 2016
Mr M A Baker	200,000	8 August 2014	-%	-%	-%	30 June 2017
Mr R J Hall	125,000	12 September 2012	-%	-%	-%	30 June 2015
Mr R J Hall	125,000	27 August 2013	-%	-%	-%	30 June 2016
Mr R J Hall	100,000	8 August 2014	-%	-%	-%	30 June 2017
Mr R M McDonald	60,000	12 September 2012	-%	100%	-%	30 June 2015
Mr R M McDonald	60,000	27 August 2013	-%	100%	-%	30 June 2016

The date that performance rights were granted has been determined with reference to when the Group received confirmation that Senior Executives understood the terms and conditions of the new LTIP and/or when the issue of performance rights was approved by the Board.

Further details of the current LTIP are included in Note 22(b) to the financial statements.

6.6.4 Analysis of movement in performance rights

The movement during the reporting period by value and number of performance rights held by Directors and Senior Executives is detailed below.

	As at 1 July 2013	Granted in year	Exercised in year	Forfeited in year	Expired in year	As at 30 June 2014	Vested as at 30 June 2014
By value							
Mr M G Monro	$258,720	$191,928	-	-	-	$450,648	-
Mr M A Baker	$117,600	$87,240	-	-	-	$204,840	-
Mr R H Hall	$73,500	$54,525	-	-	-	$128,025	-
Mr R G McDonald	$35,280	$26,172	-	($61,452)	-	-	-
By number							
Mr M G Monro	440,000	440,000	-	-	-	880,000	-
Mr M A Baker	200,000	200,000	-	-	-	400,000	-
Mr R H Hall	125,000	125,000	-	-	-	250,000	-
Mr R G McDonald	60,000	60,000	-	(120,000)	-	-	-

The value of rights granted in the year is the fair value of the performance rights calculated on grant date utilising the assumptions underlying the Black-Scholes methodology to produce a Monte-Carlo simulation model. This allows the incorporation of the performance hurdles that must be met before the performance rights vest.

While the total value of performance rights granted is included in the table above, the amount is allocated to remuneration over the relevant three year vesting period.

6.6.5 Analysis of movement in shares

The movement during the reporting period in the number of ordinary shares in Watpac Limited held, directly, indirectly or beneficially, by Directors and Senior Executives, including their related parties, is as follows:

No shares were granted to Directors or Senior Executives during the reporting period as compensation.

	As at 1 July 2013	Acquisitions	Sales	Received on exercise of options	As at 30 June 2014
Directors					
Mr C R Freeman	5,000	-	-	-	5,000
Mr R B McGruther	174,500	-	-	-	174,500
Mr B C Bowton	-	297,040	-	-	297,040
Mr R J Lette	864,892	15,397	-	-	880,289
Mr D M Little	989,902	-	-	-	989,902
Mr K A Mooney	1,000	-	-	-	1,000
Senior Executives					
Mr M G Monro	100,000	-	-	-	100,000
Mr E D Edwards	412,500	-	-	-	412,500

7. Audit and Risk Committee

The four current members of the Audit and Risk Committee are:

- Mr R B McGruther (Chair) – Non-executive Director
- Mr J C M C Beerlandt – Non-executive Director (alternate Mr C Schreurs) (appointed 27 August 2013)
- Mr B C Bowton – Non-executive Director (appointed 25 February 2014)
- Mr K A Mooney – Non-executive Director

Mr R J Lette was a member of the Audit and Risk Committee to 25 February 2014.

The role of the Group's Audit and Risk Committee is to provide the Board with additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies for inclusion in the financial statements. The Committee also oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the Group's risk management framework.

8. Nomination Committee

The three current members of the Nomination Committee are:

- Mr C R Freeman (Chair) – Non-executive Director
- Mr R J Lette – Non-executive Director
- Mr R B McGruther – Non-executive Director

The role of the Group's Nomination Committee is to assist the Board in its oversight of the identification of suitable candidates for appointment to the Board. The Nomination Committee also assists the Board with Chief Executive Officer succession planning and evaluation, the provision of appropriate training and development opportunities for Directors, assessment of Board member performance and the endorsement of retiring directors seeking re-election.

9. Principal activities

The principal activities of the Group during the course of the financial year were:

- Contracting: Building, refurbishment, project management and construction management.
- National Mining & WA Civil: National contract mining services and civil infrastructure in Western Australia.
- Property: Development and trading of commercial, residential, and industrial properties.

10. Operating and financial review

10.1 Financial review

The Group reported a consolidated after tax profit for the year ended 30 June 2014 of $17.9M compared to a loss of $4.7M for the previous corresponding period. This represents a post-tax return on equity for the 30 June 2014 financial year of 7%.

An overview of the Group's financial performance and its reportable segments, compared to FY13, is detailed below:

	Revenue			Profit/(loss)		
In thousands of AUD	**FY14**	**FY13**	**% Variance**	**FY14**	**FY13**	**% Variance**
Contracting	856,570	1,045,631	-18.1%	25,831	24,295	6.3%
Mining & WA Civil	287,790	288,846	-0.4%	15,197	18,642	-18.5%
Property	55,621	123,607	-55.0%	(1,678)	(19,380)	91.3%
Unallocated	-	-	N/A	(15,180)	(17,040)	10.9%
Elimination	3,047	17,088	-82.2%	334	984	-66.1%
Continuing operations (pre-tax)	**1,203,028**	**1,475,172**	**-18.45%**	**24,504**	**7,501**	**226.7%**
Discontinued operations (pre-tax)	6,076	164,436	-96.3%	-	(13,090)	N/A
Income tax benefit/(expense)				(6,650)	915	-826.8%
Group NPAT	**1,209,104**	**1,639,608**	**-26.26%**	**17,854**	**(4,674)**	**482.0%**

Despite comparatively lower work volumes in the Group's contracting businesses, the increase in net profit after tax compared to FY13 reflects:

- $15.6M in impairment charges recognised on the Group's property development inventory and land & building assets in FY13;
- A reduction in corporate and operating business unit overhead costs; and
- Losses recorded in FY13 from the Group's discontinued east-coast civil businesses.

Excluding the property impairment recorded in the current financial year of $0.5M post tax (2013: $10.9M), the Group recorded an underlying operating profit after tax from continuing operations of $18.4M (2013: $17.2M), details of which are provided below.

Key financial metrics in respect of the current year statutory result against the prior year are summarised in the following table:

In thousands of AUD	2014	2013	Change	%Change
Total revenue (continuing operations)	**1,203,028**	1,475,172	(272,144)	-18.45
Total revenue (discontinued operations)	**6,076**	164,436	(158,360)	-96.30
Total revenue	**1,209,104**	1,639,608	(430,504)	-26.26
Profit/(loss) from continuing operations before tax	**24,504**	7,501	17,003	226.68
Income tax benefit/(expense)	**(6,650)**	(2,983)	(3,667)	122.93
Profit/(loss) from continuing operations after tax	**17,854**	4,518	13,336	295.17
Profit/(loss) from discontinued operations after tax	**-**	(9,192)	9,192	N/A
Profit/(loss) after tax attributable to members	**17,854**	(4,674)	22,528	481.99
Basic earnings per share from continuing operations (cents)	**9.65**	2.45	7.20	293.88
Basic earnings per share from discontinued operations (cents)	**-**	(4.99)	4.99	N/A
Basic earnings per share attributable to members (cents)	**9.65**	(2.54)	12.19	479.92
Final dividends per share (cents)	**3.5**	0.0	3.5	N/A
Total dividends per share (cents)	**6.0**	0.0	6.0	N/A
NTA per share (cents)	**121**	114	7	6.14
Return on shareholders' funds (percentage)	**7.03**	(1.96)	8.99	458.92

A more detailed overview of the result for the financial year, together with key financial metrics in respect of the financial result is as follows:

In thousands of AUD	2014	2013	Change	% Change
Statutory net profit/(loss) after tax attributable to members	**17,854**	(4,674)	22,528	481.99
Adjust for:				
Impairment of property development inventory (pre-tax)	**736**	15,571	(14,835)	-95.27
Tax on impairment at 30%	**(221)**	(4,671)	4,450	-95.27
Prior year income tax expense adjustments	**-**	1,746	(1,746)	N/A
Underlying profit/(loss) after tax attributable to members	**18,369**	7,972	10,397	130.42
Loss from discontinued operations	**-**	9,192	(9,192)	N/A
Underlying profit/(loss) after tax from continuing operations	**18,369**	17,164	1,205	7.02
Underlying earnings per share attributable to members (cents)	**9.93**	4.32	5.61	129.84
Underlying earnings per share from continuing operations (cents)	**9.93**	9.31	0.62	6.69

** The information presented in the table above has not been reviewed or audited by the Group's auditor.*

10.2 Safety

The creation and maintenance of a safe work environment for the Group's staff, clients, sub-contractors and other stakeholders is a priority and critical to the long term sustainability of the Watpac business.

During the year, while the Watpac Group's long term injury frequency rate was significantly below internal targets and industry averages, the Board and management are still focused on improving safety performance, and a safety first culture will remain a key priority across the Group in FY15.

10.3 Operating overview

The Group's focus in FY14 was on its core business in Contracting and National Mining & WA Civil. This followed the strategic review undertaken in FY13 which, as has been previously reported, resulted in the closure of Watpac's civil operations along the eastern seaboard of Australia and confirmation of the Board's plan to dispose of the Group's remaining property development inventory assets.

Together with overhead cost reduction initiatives, these strategies have proved a success, with the Group reporting a statutory profit after tax of $17.9M in FY14, substantially above the losses recognised in the previous two financial years. Together with a return to dividend payments and solid share price appreciation over the past 12 months, total shareholder return in FY14 was 33.77%, the highest it has been over the past five years.

Additional details on each of the Group's businesses is provided below.

10.4 Contracting business

Review of operations

The Contracting segment, which includes the Group's Construction and Specialty Services businesses, provides building, refurbishment, project management, and construction management services across Queensland, New South Wales, Victoria, South Australia, the Australian Capital Territory and Northern Territory.

The segment reported a pre-tax profit for the year of $25.8M (2013: $24.3M) representing a pre-tax return on equity of 11.5% (after adjusting for $10.5M in unallocated Corporate overheads).

The increase in profitability was recorded notwithstanding a reduction in revenue compared to FY13, and is the result of a number of large projects being finalised in FY14 and several new projects not commencing until the second half of the reporting period. The increase in net margins is reflective of an improvement in the underlying fundamentals of this business.

Landmark construction projects completed during the year include the $600M One Central Park mixed-use residential and retail project located at the southern end of the Sydney CBD, the Advanced Engineering Building at the University of Queensland, the Bankstown Library and Knowledge Centre in New South Wales and the Dandenong Municipal Building in Victoria. All Single Leap 2 projects, delivered for the Department of Defence as part of the consortium led by Plenary Group were also completed during the 2014 financial year.

The Contracting segment ended FY14 with a strong work in hand position of approximately $1.4B. The allocation of work in hand by business unit and revenue for FY14 is summarised in the table below:

In thousands of AUD	FY14 Revenue	Work in hand at 30 June 2014
Queensland	**267,149**	843,632
New South Wales	**351,520**	289,814
Victoria	**150,404**	208,644
South Australia	**45,191**	4,571
Specialty Services	**42,306**	45,140
Total	**856,570**	**1,391,801**

New projects that were awarded or commenced by the contracting businesses in FY14, and reflected in the $1.4B of work in hand at 30 June 2014, include:

- $350M Queensland Schools PPP Project, being delivered as part of the Plenary Schools Consortium (Qld)
- $148M Gold Coast Private Hospital (Qld)
- $114M Southpoint Office Tower in South Bank, Brisbane (Qld)
- $83M Nuclear Medicine Molybdeum-99 facility at the Australian Nuclear Science and Technology Organisation (ANSTO) (NSW)
- $80M STK residential tower in St Kilda (Vic)
- $74M AE2 residential community in Ermington for Defence Housing Australia (NSW)
- $72M 333 George Street office building in the Sydney CBD (NSW)
- $60M Leicester Street Student Accommodation Project (Vic)
- $47M Mater Private Hospital in Springfield (Qld)
- $46M Kempsey District Hospital Redevelopment (NSW)
- $36M redevelopment of the Werribee Sports and Fitness Centre (Vic)
- $34M Charles Sturt University campus in Port Macquarie (NSW)

The success in winning such quality projects is representative of the Group's 30 years of experience in the construction sector and strong regional networks, and should underpin a comparative increase in work volumes delivered in FY15. The Group is confident that its forward work can be delivered profitably in future reporting periods, and that its pre-contract risk management and due diligence processes have been robustly followed in respect of the work won during FY14.

Strategy and future performance

The recent increase in private sector construction activity has resulted in a significant increase to the Contracting segment's forward order book over the past 12 months. While the immediate focus remains on ensuring recently secured projects are delivered profitably, the Group also remains focused on new work opportunities and enhancing the geographical diversification of its forward order book. This will continue to be done in a sensible manner following appropriate analysis of inherent project risks and returns, with a major focus on growth in the NSW and Victorian construction markets, where the Group has a comparatively smaller market share than it enjoys in Queensland.

With specialist skills and intellectual property being developed across a variety of projects throughout the country, the contracting segment is in a strong position to further enhance its project delivery capabilities, in particular on larger and more complicated projects, through the continued cross utilisation of its people, systems and work practices.

As general construction work volumes increase, the Group is cognisant that there will be rising cost pressures in the subcontract market, on which Watpac is reliant for the successful delivery of its projects. Rising costs in the subcontract market is a risk to the Group's future profitably, and must continue to be critically monitored as part of the pre-contract and immediate post award contract risk management processes.

The continuing maintenance of sufficient forward work also remains a risk to Watpac's medium and longer term financial outlook. While the order book is strong as at 30 June 2014, it does not represent substantial work volumes expected to be delivered beyond FY15, and thus work winning initiatives and strategies are currently (as is always) a key focus of the Board and management.

The Watpac brand is strong in the construction sector and is underpinned by a reputation for on-time and on budget project delivery. Watpac also has a reputation for working collaboratively with its clients to achieve the best possible overall project outcomes through innovative and operationally superior work methods, and with the flat management structure, prides itself on its quick and agile decision-making processes. The Board is therefore confident in the Group's ability to maintain or even increase its share of the east coast construction market, particularly in NSW and Victoria, and has adopted strategies it believes will assist with the achievement of this result.

Strategic planning is a continuous process and in FY15 substantial focus will be placed on strategies to ensure the Group is well positioned to capitalise on a potentially rising construction market in Australia and an improvement in profitability and overall shareholder value.

10.5 National Mining & WA Civil Business

Review of operations

Headquartered in Perth, the Group's National Mining & WA Civil business primarily focuses on:

- the provision of contract mining services for small to medium projects across Australia; and
- civil infrastructure activities, including the construction of roads, bridges, dams and airfields in Western Australia.

The National Mining & WA Civil business reported a pre-tax profit for the reporting period of $15.2M in FY14 (2013: $18.6M). After adjusting for $3.7M in unallocated corporate overheads, the FY14 result reflects a pre-tax return on equity of 9.6%.

The business unit ended FY14 with work in hand of $449M which includes mining services contracts at the:

- Nullagine Iron Ore Project in WA (managed by BC Iron);
- Cockatoo Island iron ore mine in WA (managed by Pluton Resources);
- Mt Magnet Gold Mine in WA (Ramelius Resources);
- Woornack, Rownack and Pirro (WRP) mineral sands mine in Victoria (Iulka); and
- Tutunup South mineral sands project in WA (Iluka).

On 4 August 2014 the Group was also awarded a mining services contract with Hanking Gold at their Southern Cross operations in WA.

Another record year of production was achieved at the Nullagine Iron Ore Project in WA, with an average in excess of one million tonnes per month mined using the Group's surface mining plant assets. Watpac is one of only two mining contractors with the expertise in surface mining and which currently utilises this mining methodology in Australia. Having been surface mining in the Pilbara in WA for the last three years and now understanding the intricacies of this mining technique, Watpac now boasts a clear competitive advantage over other contractors. Surface mining complements the more traditional drill and blast and scraping methodologies adopted at other mine sites across the country.

Other notable operational highlights and project milestones in the reporting period included the commencement, and substantial completion, of the Stage 4 seawall at the Cockatoo Island iron ore mine in WA, and the successful completion of all works required to adhere to the mine schedule at the WRP mine, which included an increase in monthly mining movements from just above 1M bcm per month at the start of the financial year to almost 2M bcm per month in late FY14. These types of successful short term adjustments to mining volumes is testament to Watpac's abilities and professional approach to its mining services contracts, and willingness to work with clients, even at short notice, to achieve optimal project outcomes.

The Group's investment in major mobile plant & equipment assets at 30 June 2014 was $150M. There was only a modest investment in new plant & equipment in FY14 being reflective of the fleet now being of the size and scale necessary to execute all current mining services contracts. Additional investment in plant and equipment assets in future financial periods will be matched to new or extended contracts, with the Group maintaining adequate capital reserves to once again expand its investment in plant fleet if warranted.

The Group's civil operations in WA also continued to contribute positively to the segment's profitability in FY14, with work completed during the reporting period on the Bunbury Road Train Assembly Area, Samson Brook Dam and the Degrussa Tails Storage Facility Lift.

Strategy and future performance

The credentials of the National Mining & WA Civil business in mining iron ore, gold and mineral sands, together with strong local networks and client relationships has ensured the Group enters FY15 with a healthy forward work book. The current focus remains on maximising profits from existing contracts while at the same time delivering optimal overall project performance for clients.

Given the recent downturn in the resources sector in Australia and the level of Watpac's existing investment in its National Mining and WA civil business, achieving an improved financial performance in this business will likely be challenging over the next three to five years. Much will be dependent on commodity price stability, Australia's cost competiveness on a global scale, and stability in the domestic political environment – at both State and Federal levels.

In addition, the Board is conscious that the weighted average contract tenure of the National Mining & WA Civil business is lower than desired and that this places greater risk to predicting future earnings. Notwithstanding, the Board is of the view that this is symptomatic of a shift in the market to shorter-term mining services contracts, and is confident that the Group is well placed to take advantage of all future opportunities that are presented.

A compression in contractors' margins means Watpac needs to focus on operational efficiencies and take a more dynamic approach to capital management within the National Mining and WA Civil business. While prima facie return on equity targets may be harder to achieve, a more efficient approach to capital investment would assist in minimising the impact of lower project profitability.

Over the next 12 months, the Board will be investigating a number of potential new projects in Watpac's core markets and implementing strategies to enhance work-winning capabilities. Additional investment in systems and processes will also help reduce operating costs, but this will only be made if supportive of a longer-term plan to enhance shareholder value.

10.6 Property business

Review of operations

The Group's property division develops commercial office buildings, retail centres, industrial land and facilities, residential land, apartments, and marinas. The Group's property assets are currently predominantly located in Queensland, with small holdings in Victoria.

The Property segment recorded a pre-tax loss of $1.7M for the reporting period (2013: $19.4M pre-tax loss). This improved comparative financial performance mainly reflects the pre-tax net impairment charge of $15.6M recorded in FY13, together with a decrease in holding costs on the reducing investment in property development inventory assets.

Continued progress has been made in delivering the Group's strategy to divest its portfolio of property assets. Approximately $48M in new sales agreements were executed in the reporting period, which includes the Waterloo development site in Newstead, which is currently under contract with Metro Property Development. Settlement of the Waterloo contract will occur on a staged basis, with full sales proceeds of $40M to be received by no later than June 2016.

Other property sales which settled in FY14 include the Joule development site at 11 Breakfast Creek Road in Newstead and four lots at the completed Coolum Beach Retail development on the Sunshine Coast. With no property debt, the full proceeds from these settlements have been reinvested into existing operations.

Strategy and future performance

As at 30 June 2014, the carrying value of the Group's unsold property assets (which excludes the currently under contract Waterloo property), totals $41.3M. Negotiations are continuing with a number of potential buyers and active marketing campaigns are ongoing for several of the remaining property assets.

The Board remains committed to divesting all remaining property assets in a timely manner to further strengthen Watpac's financial position, and recycle equity in these properties to core businesses within the Contracting and National Mining & WA Civil segments. While there remains a risk that current book values will not be achieved upon sale, ultimately the Board will strive to achieve maximum value from each asset.

10.7 Discontinued operations

As previously reported, the Group committed to a plan of closing its civil operations in Queensland and Victoria in FY13. All projects associated with these business units were completed during the reporting period with there being no financial impact on the Group's FY14 result (2013: $13.1M pre-tax loss).

The Board remains comfortable that based on currently known facts and circumstances there will be no adverse financial impacts from these business units in future financial periods.

10.8 Capital Management and Liquidity

The Group ended FY14 with a substantial balance of cash on hand and term deposits totalling $190M. This reflects a $52.5M increase from the 30 June 2013 balance of $137.5M and is reflective of:

- stronger ongoing cash management disciplines across all operations and the profitability of the Group's core businesses in FY14;
- proceeds from property sales which settled during the reporting period; and
- a return of working capital previously employed in the Group's discontinued east coast civil businesses.

The balance of gross debt at 30 June 2014 totals $75M and relates solely to equipment financing facilities in the National Mining and WA Civil business. There are no significant off-balance sheet lease commitments relating to plant & equipment assets at 30 June 2014, rather off-balance sheet commitments at 30 June 2014 mainly relate to the provision of bank guarantees and surety bonds as performance security for projects being completed by the Group's contracting businesses.

The strength of the Group's current financial position and future outlook was endorsed during the 2014 financial year with the establishment of a new $105M syndicated banking facility with leading domestic and international financial institutions, comprising ANZ, BOQ, BNP Paribas and HSBC. This three year syndicated facility, which was finalised in May 2014, expands Watpac's existing bank guarantee facility to $80M and establishes a new $25M revolving credit facility. In addition, the Group established a new:

- $10M transactional banking facility with ANZ; and
- $25M equipment finance facility with Challenger Financial Services (April 2014), which complements various other equipment finance facilities that remain in place ($140M facility limit at 30 June 2014).

The Group's $115M net cash position (calculated as gross cash less gross debt) at year end FY14 is reflective of the conservative capital structure being employed by the Board in anticipation of the future capital requirements to fund expansion in the Group's core businesses, particularly contracting. The Board is acutely aware of the requirement to be financially strong to take advantage of the current market opportunities, and differentiate Watpac from its competitors. With strong liquidity, expanded banking relationships and access to other debt and equity capital markets, the Board believes Watpac has a real competitive advantage, particularly over its competitors operating in private company structures, in a market where financial strength and contractor solvency is vitally important.

Enhancements to the Group's liquidity and capital allocation efficiencies achieved in FY14 are expected to continue in FY15.

11. Dividends

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

Type	Cents per share	Total amount $'000	% Franked	Date of payments
Declared and paid during the year				
- Final 2013 ordinary	-	-	-	-
- Interim 2014 ordinary	2.5	4,608	100%	21 March 2014
		4,608		

Dividends declared by the Company subsequent to the end of the current financial year were:

Type	Note	Total amount $'000
Dealt with in the financial report as:		
- Final 2014 ordinary	24	6,527
		6,527

On 19 August 2014, the Directors declared a final dividend of 3.5 cents per share, franked to the extent of 12.5%. This franking percentage reflects the number of available franking credits at dividend declaration date.

12. Significant changes in the Group's state of affairs

There were no significant changes in the Group's state of affairs during the financial year under review not otherwise disclosed in this report or in the consolidated financial report.

13. Events subsequent to reporting date

Other than the declaration of the dividend which occurred subsequent to 30 June 2014 and is disclosed in Note 24, 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, to affect the operations or state of affairs of the Group in future financial years.

14. Directors' interests

The relevant interest of each Director in the shares and rights or options issued by the Company as notified by the Directors to the Australian Securities Exchange (ASX) in accordance with s205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Watpac Limited	
	Ordinary shares	Options over ordinary shares
Mr C R Freeman	5,000	-
Mr R B McGruther	174,500	-
Mr J C M C Beerlandt/ Mr C J Schreurs	-	-
Mr B C Bowton	297,040	-
Mr G J Dixon	-	-
Mr R J Lette	880,289	-
Mr D M Little	989,902	-
Mr K A Mooney	1,000	-

15. Performance rights and share options

Performance rights

At the date of this report unissued ordinary shares of the Company in respect of the current LTIP are:

Type	Expiry date	Exercise price	Number of shares
FY13 LTIP	No later than 4 weeks after the public release of the audited financial report for the 30 June 2015 financial year	$Nil	1,315,000
FY14 LTIP	No later than 4 weeks after the public release of the audited financial report for the 30 June 2016 financial year	$Nil	1,375,000
FY15 LTIP	No later than 4 weeks after the public release of the audited financial report for the 30 June 2017 financial year	$Nil	1,480,000

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option in respect of the previous LTIP are:

Expiry date	Exercise price	Number of shares
25 October 2014	$2.45	1,462,500

16. Environmental regulations

The Group's operations are subject to environmental regulation under both Commonwealth and State Government legislation. Building and property development approvals, including specific environmental aspects, are required for the Group's construction and development operations under the *Integrated Planning Act 1997* and *Environmental Protection Act 1994*.

Pursuant to this the Group has established and maintains third party certified Environmental Management Systems developed in accordance with AS/NZS ISO14001:2004 and has a dedicated group of Environmental Officers who monitor compliance with the above environmental regulations and company policy.

The Directors are not aware of any significant breaches during the period covered by this report.

17. Indemnification and insurance of officers and auditors

Indemnification

Since the end of the previous financial year, the Group has not indemnified or made a relevant agreement for indemnifying against a liability of any person who is or has been an officer or auditor of the Group. Each Director and Officer of the Company has in place a Deed of Indemnity, Access and Insurance, on normal commercial terms.

Insurance premiums

During the financial year the Group has paid premiums in respect of Directors' and Officers' liability insurance contracts for the insurance year ended 30 June 2014. Such insurance contracts insure against certain liability (subject to specific exclusions) of persons who are or have been Directors or Executive Officers of the Group.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

18. Non-audit services

In addition to their statutory duties, during the year KPMG, the Company's auditor, has performed other assurance services in relation to the Queensland Building and Construction Commission's annual licensing of contractors in Queensland.

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 Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Details of the amounts paid to KPMG and its related practices for audit and non-audit services provided during the year are set out in Note 8.

19. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 66 and forms part of the Directors' Report for the financial year ended 30 June 2014.

20. 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 financial report and Directors' report have been rounded to the nearest thousand dollars, unless otherwise stated.

Dated at Brisbane this 19th day of August 2014.

Signed in accordance with a resolution of the Directors.

R B McGruther
Deputy Chair

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

To: the directors of Watpac 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:

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

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

KPMG

KPMG

Simon Crane
Partner

Brisbane
19 August 2014

1 In the opinion of the directors of Watpac Limited (the Company):

(a) the consolidated financial statements and notes set out on pages 70 to 116 and the Remuneration Report in section 6 of the Directors' Report, are in accordance with the Corporations Act 2001, including:

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

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

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

2 There are reasonable grounds to believe that the Company and the Group entities identified in Note 30 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

4 The Directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Brisbane this 19th day of August 2014.

Signed in accordance with a resolution of the Directors

R B McGruther
Deputy Chair

Independent auditor's report to the members of Watpac Limited

Report on the financial report

We have audited the accompanying financial report of Watpac Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 39 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in section 6 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 Watpac Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane
19 August 2014

Consolidated income statement
for the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Continuing operations			
Revenue	6	**1,203,028**	1,475,172
Cost of sales		**(1,117,641)**	(1,373,020)
Gross profit		**85,387**	102,152
Other income		**1,037**	587
Property asset income		**2,450**	3,951
Property asset expenses		**(1,464)**	(2,262)
Property development holding costs expensed	15	**(1,630)**	(5,092)
Impairment expense	9	**(736)**	(15,571)
Operating business unit and corporate administration expenses		**(54,358)**	(69,482)
Results from operating activities		**30,686**	14,283
Finance income	10	**4,588**	4,634
Finance costs	10	**(10,770)**	(11,416)
Net finance costs		**(6,182)**	(6,782)
Profit from continuing operations before tax		**24,504**	7,501
Income tax expense	11	**(6,650)**	(2,983)
Profit from continuing operations		**17,854**	4,518
Loss from discontinued operations, net of tax	32	**-**	(9,192)
Profit/(loss) for the period attributable to equity holders of the parent		**17,854**	(4,674)
Earnings per share			
Basic earnings per share from continuing operations		**9.65¢**	2.45¢
Basic earnings per share from discontinued operations	32	**-**	(4.99)¢
Total	12	**9.65¢**	(2.54)¢
Diluted earnings per share from continuing operations		**9.60¢**	2.45¢
Diluted earnings per share from discontinued operations	32	**-**	(4.99)¢
Total	12	**9.60¢**	(2.54)¢

The accompanying notes numbered 1 to 39 form part of the financial statements.

Consolidated statement of comprehensive income for the year ended 30 June 2014

In thousands of AUD	2014	2013
Profit/(loss) for the period attributable to equity holders of the parent	**17,854**	(4,674)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedge	-	192
Other comprehensive income for the period, net of income tax	**17,854**	192
Total comprehensive income for the period	**17,854**	(4,482)

The accompanying notes numbered 1 to 39 form part of the financial statements.

Consolidated balance sheet as at 30 June 2014

In thousands of AUD	Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents		**120,119**	88,927
Term deposits		**70,079**	48,546
Trade and other receivables	13	**124,461**	158,267
Inventories – stock on hand	15	**15,635**	15,380
Inventories – property development assets	15	**27,491**	59,975
Current tax receivable	16	**-**	7,331
Total current assets		**357,785**	378,426
Non-current assets			
Trade and other receivables	13	**25,343**	-
Inventories – property development assets	15	**13,840**	35,447
Property, plant and equipment	18	**161,787**	177,615
Intangibles	19	**27,698**	27,698
Deferred tax assets	17	**15,918**	22,241
Total non-current assets		**244,586**	263,001
Total assets		**602,371**	641,427
LIABILITIES			
Current liabilities			
Trade and other payables	20	**248,849**	263,433
Interest-bearing loans and borrowings	21	**39,153**	34,292
Employee benefits	22	**14,149**	13,425
Provisions	23	**413**	3,302
Total current liabilities		**302,564**	314,452
Non-current liabilities			
Trade and other payables	20	**5,463**	8,128
Interest-bearing loans and borrowings	21	**35,648**	76,616
Employee benefits	22	**4,085**	3,385
Provisions	23	**819**	656
Total non-current liabilities		**46,015**	88,785
Total liabilities		**348,579**	403,237
Net assets		**253,792**	238,190
EQUITY			
Issued capital	24	**237,001**	235,074
Reserves	24	**9,097**	8,668
Retained earnings		**7,694**	(5,552)
Total equity		**253,792**	238,190

The accompanying notes numbered 1 to 39 form part of the financial statements.

In thousands of AUD	Note	2014					2013				
		Share capital	Equity benefits reserve	Hedging reserve	Retained earnings	Total	Share capital	Equity benefits reserve	Hedging reserve	Retained earnings	Total
Balance at 1 July		**235,074**	**8,668**	-	**(5,552)**	**238,190**	235,074	8,382	(192)	(878)	242,386
Total comprehensive income for the period											
Profit or loss		-	-	-	**17,854**	**17,854**	-	-	-	(4,674)	(4,674)
Other comprehensive income											
Effective portion of changes in fair value of cash flow hedge		-	-	-	-	-	-	-	192	-	192
Total other comprehensive income		-	-	-	-	-	-	-	192	-	192
Total comprehensive income for the period		-	-	-	**17,854**	**17,854**	-	-	192	(4,674)	(4,482)
Transactions with owners recorded directly in equity											
Contribution by and distribution to owners											
Dividends to equity holders	24	-	-	-	**(4,608)**	**(4,608)**	-	-	-	-	-
Share settled performance rights		-	**429**	-	-	**429**	-	286	-	-	286
Shares issued under dividend reinvestment plan		**1,927**	-	-	-	**1,927**	-	-	-	-	-
Total contributions by and distributions to owners		**1,927**	**429**	-	**(4,608)**	**(2,252)**	-	286	-	-	286
Total transactions with owners		**1,927**	**429**	-	**(4,608)**	**(2,252)**	-	286	-	-	286
Balance at 30 June		**237,001**	**9,097**	-	**7,694**	**253,792**	235,074	8,668	-	(5,552)	238,190

The accompanying notes numbered 1 to 39 form part of the financial statements.

Consolidated statement of cash flows for the year ended 30 June 2014

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Cash receipts from customers		**1,347,773**	1,833,759
Cash paid to suppliers and employees		**(1,234,169)**	(1,678,343)
Cash generated from operations		**113,604**	155,416
Interest received		**4,224**	4,639
Interest paid		**(8,982)**	(12,783)
Income taxes refunded		**7,005**	8,049
Net cash provided by operating activities	33	**115,851**	155,321
Cash flows from investing activities			
Investment in term deposits		**(21,532)**	(4,387)
Acquisition of property, plant and equipment		**(21,704)**	(28,631)
Proceeds from sale of property, plant and equipment		**2,100**	5,852
Net cash used in investing activities		**(41,136)**	(27,166)
Cash flows from financing activities			
Proceeds from borrowings		**-**	11,773
Repayment of borrowings		**-**	(114,241)
Repayment of finance leases		**(40,841)**	(27,349)
Dividends paid		**(2,682)**	-
Net cash used in financing activities		**(43,523)**	(129,817)
Net increase/(decrease) in cash and cash equivalents		**31,192**	(1,662)
Cash and cash equivalents at 1 July		**88,927**	90,589
Cash and cash equivalents at 30 June		**120,119**	88,927

The accompanying notes numbered 1 to 39 form part of the financial statements.

1. Reporting entity

Watpac Limited ("Watpac" or "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 12 Commercial Road, Newstead, QLD 4006. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in joint arrangements. The Company is a for profit entity and is primarily involved in the Contracting, National Mining & WA Civil Infrastructure and Property Development industry sectors.

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 ("IFRS") adopted by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 19 August 2014.

Details of the Group's accounting policies, including changes during the year, are included in Notes 37 and 38.

3. Functional and presentation currency

The consolidated financial statements are presented in Australian dollars ("AUD") which is the functional currency of the Company. 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 to the nearest thousand dollars, unless otherwise stated.

4. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except that certain financial assets are measured at fair value. The methods used to determine fair values are disclosed in Note 25.

The accounting policies set out in the consolidated financial statements have been applied consistently by all entities in the Group.

5. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements, and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in future consolidated financial statements, are as follows:

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for contract variations and claims, the timing of profit recognition and the amount of profit recognised.
- Assessment of the amount of revenue that can be estimated reliably, in particular in relation to accounting for civil and mining contracts.
- Assessment of the net realisable value of property development projects.
- Assessment of the useful lives and residual values of property, plant and equipment.
- Measurement of the recoverable amounts of cash-generating units containing goodwill.
- Assessment of future utilisation of carried forward tax losses.
- Measurement of the carrying value of non-current receivables.

6. Operating segments

The Group's operating segments are based on the information that is provided to the Chief Executive Officer, who is the chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Corporate assets including cash, receivables and plant and equipment;
- Income tax assets and liabilities; and
- Unallocated/corporate expenses.

Discrete financial information relating to each of the Group's operating segments is reported to the Chief Executive Officer on a regular basis.

Reportable segments are based on aggregated operating segments determined by the similarity of products sold and/or services provided, as these are the sources of the Group's major risks. The Group has three reportable segments, being:

- *Contracting:* Building, refurbishment, project management and construction management.
- *National Mining & WA Civil:* Civil and contract mining services.
- *Property:* Development and trading of commercial, residential, and industrial properties.

Information regarding the results of each reportable segment is included in the following table. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment profit is used to measure performance as management believes such information is the most relevant in evaluating the result of the segments. Pricing associated with inter-segment transactions is determined on an arm's length basis.

6. Operating segments (continued)

Information about reportable segments (continuing operations)

In thousands of AUD	Contracting		National Mining & WA Civil		Property		Unallocated		Elimination		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
External revenues	**856,570**	1,045,631	**287,790**	288,846	**55,621**	123,607	**-**	-	**3,047**	17,088	**1,203,028**	1,475,172
Inter-segment revenue	**(2,591)**	(16,080)	**-**	-	**-**	-	**(456)**	(1,008)	**-**	-	**(3,047)**	(17,088)
Other material non-cash items:												
- Property development holding costs expensed	**-**	-	**-**	-	**(1,630)**	(5,092)	**-**	-	**-**	-	**(1,630)**	(5,092)
- Impairment expense	**-**	-	**-**	-	**(736)**	(15,571)	**-**	-	**-**	-	**(736)**	(15,571)
- Depreciation	**(669)**	(664)	**(37,366)**	(46,133)	**(10)**	(12)	**(1,975)**	(1,278)	**-**	-	**(40,020)**	(48,087)
Finance income	**-**	-	**-**	-	**6**	466	**4,582**	4,168	**-**	-	**4,588**	4,634
Finance expense	**-**	-	**(8,554)**	(9,173)	**(1,658)**	(1,040)	**(558)**	(1,203)	**-**	-	**(10,770)**	(11,416)
Reportable segment profit/(loss) from continuing operations before income tax	**25,831**	24,295	**15,197**	18,642	**(1,678)**	(19,380)	**(15,180)**	(17,040)	**334**	984	**24,504**	7,501
Reportable segment assets	**74,566**	90,681	**218,570**	251,984	**79,081**	102,578	**246,609**	213,942	**(16,455)**	(17,758)	**602,371**	641,427
Capital expenditure	**1,223**	13	**24,680**	67,372	**-**	-	**536**	1,066	**-**	-	**26,439**	68,451

Geographical segments

The Group's operations are located exclusively in Australia. As a result all reportable segment information is attributable to the single geographical segment of Australia.

Major customer

Contracting segment revenues include revenue from one major customer comprising $233,000,000. In the prior year there were two major customers contributing revenue to the Contracting segment comprising $357,230,000 and $298,251,000.

7. Personnel expenses

In thousands of AUD	2014	2013
Wages and salaries	**160,320**	187,651
Other personnel expenses	**14,405**	15,623
Superannuation expense	**12,175**	13,509
Increase/(decrease) in liability for annual leave	**298**	(414)
Increase in liability for long service leave	**933**	606
Equity settled share based payment transactions	**429**	286
	188,560	217,261

8. Auditor's remuneration

In AUD	2014	2013
Audit services		
Auditors of the Company		
KPMG Australia		
- Audit and review of financial reports	**204,624**	268,250
- Other regulatory services	**5,376**	6,250
	210,000	274,500
Other services		
Auditors of the Company		
KPMG Australia		
- Taxation services	-	106,334
	-	106,334

9. Impairment expense

In thousands of AUD	Note	2014	2013
Property development inventory impairment	15	**736**	14,355
Land and buildings impairment		-	1,216
		736	15,571

10. Net finance income and expense

In thousands of AUD	2014	2013
a) Recognised in profit and loss		
Interest income	**4,588**	4,634
Finance income	**4,588**	4,634
Interest expense on financial liabilities	**(9,113)**	(11,416)
Change in carrying value of non-current receivables	**(1,657)**	-
Finance expenses	**(10,770)**	(11,416)
Net finance income recognised in profit and loss	**(6,182)**	(6,782)
b) Recognised in comprehensive income		
Effective portion of changes in fair value of cash flow hedges	**-**	192
Net finance income recognised in other comprehensive income	**-**	192

11. Income tax expense (continuing operations)

In thousands of AUD	2014	2013
Recognised in the income statement		
Current tax (benefit)/expense		
Research & development claim	**(791)**	(1,116)
Adjustments for prior years	**(33)**	1,746
	(824)	630
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	**7,474**	2,353
	7,474	2,353
Total income tax (benefit)/expense in income statement	**6,650**	2,983
Numerical reconciliation between tax expense and pre-tax net profit		
Profit/(loss) before tax	**24,504**	7,501
Income tax at 30% (2013: 30%)	**7,351**	2,250
Increase in income tax expense due to:		
Non-deductible expenses	**123**	103
	7,474	2,353
Research & development claim	**(791)**	(1,116)
(Over)/under provided in prior years	**(33)**	1,746
Income tax expense/(benefit) on pre-tax net profit	**6,650**	2,983

12. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $17,854,000 (2013: loss $4,674,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2014 of 185,006,667 (2013: 184,332,526) calculated as follows:

In thousands of AUD	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	2014			2013		
Profit/(loss) for the year	**17,854**	-	**17,854**	4,518	(9,192)	(4,674)
Net profit/(loss) attributable to equity holders of the parent	**17,854**	-	**17,854**	4,518	(9,192)	(4,674)

Weighted average number of shares

In thousands of Shares	2014	2013
Issued ordinary shares at 1 July	**184,333**	184,333
Effect of shares issued under Dividend Reinvestment Plan	**674**	-
Weighted average number of ordinary shares at 30 June	**185,007**	184,333

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2014 was based on the same profit/loss attributable to ordinary shareholders of $17,854,000 (2013: loss $4,674,000) as used in the calculation of basic earnings per share. The weighted average number of ordinary shares outstanding at 30 June 2014 has been adjusted for the effects of all dilutive potential ordinary shares.

Weighted average number of shares (diluted)

In thousands of Shares	2014	2013
Weighted average number of ordinary shares (basic)	**185,007**	184,333
Effect of performance rights on issue	**909**	-
Weighted average number of ordinary shares (diluted) at 30 June	**185,916**	184,333

The weighted average number of anti-dilutive shares at 30 June 2014 was 3,666,677 (2013: 3,235,000). Anti-dilutive shares at 30 June 2014 represent options issued where the exercise price is greater than the average market price for the period, together with performance rights where performance hurdles had not been met as at 30 June 2014. As a result, these options and performance rights have been excluded from the total weighted average number of diluted ordinary shares.

13. Trade and other receivables

In thousands of AUD	Note	2014	2013
Current			
Trade receivables		**34,873**	35,150
Other debtors and prepayments		**39,611**	39,226
		74,484	74,376
Construction work in progress – amounts due from customers	14	**49,977**	83,891
		124,461	158,267
Non-current			
Other receivables (i)		**25,343**	-
		25,343	-

(i) Other non-current receivables represent expected inflows after 30 June 2015, discounted for the time value of money, from the sale of the Waterloo property.

14. Accounting for construction contracts

In thousands of AUD	Note	2014	2013
Construction work in progress comprises:			
Contract costs incurred to date		**3,689,539**	3,656,575
Profit recognised to date		**177,358**	217,585
		3,866,897	3,874,160
Less: Progress billings		**(3,816,920)**	(3,790,269)
Net construction work in progress		**49,977**	83,891
Net construction work in progress comprises:			
Amounts due from customers	13	**49,977**	83,891
		49,977	83,891

15. Inventories

In thousands of AUD	2014	2013
Raw materials and stores – at cost	**15,635**	15,380
Current		
Property development projects:		
Land and buildings held for sale		
- Land at cost	**24,166**	69,934
- Development costs	**15,102**	20,203
- Interest, rates and taxes capitalised (i)	**6,442**	13,569
Less: Write-down to net realisable value	**(18,219)**	(43,731)
	27,491	59,975
Non-current		
Property development projects:		
Land and buildings held for sale		
- Land at cost	**17,757**	40,910
- Development costs	**3,705**	9,458
- Interest, rates and taxes capitalised (i)	**3,668**	9,131
Less: Write-down to net realisable value	**(11,290)**	(24,052)
	13,840	35,447

(i) During the year ended 30 June 2014, no interest was capitalised to property development projects (2013: $2,698,000 at an average interest rate of 5.88%).

Property development inventories recognised in cost of sales amounted to $54,108,000 (2013: $120,777,000).

The total write-down of property development inventories to net realisable value in FY14 amounted to $2,366,000 (2013: $19,447,000). This includes a property development impairment expense of $736,000 (2013: $14,355,000) and expensing of holding costs of $1,630,000 (2013: $5,092,000).

16. Current tax assets and liabilities

There were no current tax assets or liabilities for the Group as at 30 June 2014 (2013: $7,331,000 current tax receivable).

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In thousands of AUD	2014	2013	2014	2013	2014	2013
Consolidated						
Property, plant and equipment	**-**	-	**(322)**	(731)	**(322)**	(731)
Employee benefits	**5,591**	5,216	**-**	-	**5,591**	5,216
Other provisions	**171**	242	**-**	-	**171**	242
Accrued expenses	**4,268**	3,600	**-**	-	**4,268**	3,600
Borrowing costs	**392**	32	**-**	-	**392**	32
Tax loss carry-forwards	**6,113**	13,537	**-**	-	**6,113**	13,537
Sundry items	**51**	430	**-**	-	**51**	430
Property development projects	**-**	-	**(346)**	(85)	**(346)**	(85)
Net tax assets/(liabilities)	**16,586**	23,057	**(668)**	(816)	**15,918**	22,241

Movement in temporary differences during the year

In thousands of AUD	Balance 1 July 2012	Recognised in profit or loss	Transfers from/ (to) income tax receivable	Balance 30 June 2013	Recognised in profit or loss	Balance 30 June 2014
Consolidated						
Property, plant and equipment	(937)	206	-	(731)	**409**	**(322)**
Employee benefits	5,220	(4)	-	5,216	**375**	**5,591**
Other provisions	1,924	(1,682)	-	242	**(71)**	**171**
Accrued expenses	1,745	1,855	-	3,600	**668**	**4,268**
Borrowing costs	63	(31)	-	32	**360**	**392**
Tax loss carry-forwards	21,199	(331)	(7,331)	13,537	**(7,424)**	**6,113**
Sundry items	(373)	593	210	430	**(379)**	**51**
Property development projects	(395)	310	-	(85)	**(261)**	**(346)**
	28,446	916	(7,121)	22,241	**(6,323)**	**15,918**

18. Property, plant and equipment

In thousands of AUD	Land and buildings	Plant and equipment	Total
Cost			
Balance at 1 July 2012	4,645	219,329	223,974
Acquisitions	-	68,451	68,451
Disposals	(4,323)	(12,223)	(16,546)
Balance at 30 June 2013	322	275,557	275,879
Balance at 1 July 2013	**322**	**275,557**	**275,879**
Acquisitions	**-**	**26,439**	**26,439**
Disposals	**-**	**(5,905)**	**(5,905)**
Balance at 30 June 2014	**322**	**296,091**	**296,413**
Depreciation			
Balance at 1 July 2012	156	58,219	58,375
Depreciation charge for the year	16	48,940	48,956
Disposals	(172)	(8,895)	(9,067)
Balance at 30 June 2013	-	98,264	98,264
Balance at 1 July 2013	**-**	**98,264**	**98,264**
Depreciation charge for the year	**-**	**40,020**	**40,020**
Disposals	**-**	**(3,658)**	**(3,658)**
Balance at 30 June 2014	**-**	**134,626**	**134,626**
Carrying amounts			
At 1 July 2012	4,489	161,110	165,599
At 30 June 2013	322	177,293	177,615
At 1 July 2013	**322**	**177,293**	**177,615**
At 30 June 2014	**322**	**161,465**	**161,787**

The plant and equipment balance as at 30 June 2014 includes assets with a carrying amount of $107,930,000 under finance lease (2013: $129,764,000).

19. Intangibles

In thousands of AUD	Goodwill
Cost	
Balance at 1 July 2012	27,698
Balance at 30 June 2013	27,698
Balance at 1 July 2013	**27,698**
Balance at 30 June 2014	**27,698**
Carrying amounts	
At 1 July 2012	27,698
At 30 June 2013	27,698
At 1 July 2013	**27,698**
At 30 June 2014	**27,698**

Impairment testing for cash generating units (CGU) containing goodwill

In thousands of AUD	2014	2013
Construction	**17,676**	17,676
National Mining and WA Civil	**10,022**	10,022
	27,698	27,698

The carrying amount of goodwill relates to the acquisitions of Grant Construction Pty Ltd, JAD Group Holdings Ltd and JMS Civil and Mining (Aust) Pty Ltd (together the "Acquisitions"). Goodwill arising from the acquisition of Grant Construction Pty Ltd and JAD Group Holdings Pty Ltd is allocated to the Construction CGU and goodwill arising from the acquisition of JMS Civil & Mining (Aust) Pty Ltd is allocated to the National Mining and WA Civil CGU's. The Construction and National Mining and WA Civil CGU's represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of all cash-generating units is based on their value in use. These calculations use cash flow projections based on applying key assumptions to actual operating results and management forecasts for a period of five years.

Revenue, gross margin and divisional overhead costs have been estimated using growth assumptions ranging from minus 10% to positive 5%. This is based on past performance and expectations of future economic conditions. In determining recoverable amounts, a post-tax discount rate of 12.54% (2013: 12.00%) has been applied to the Construction CGU and a post-tax discount rate of 8.93% (2013: 7.65%) has been applied to the National Mining & WA Civil CGU. The discount rates are considered appropriate given the current economic conditions and implications these are expected to have on the future cash flows of the CGU's.

Terminal values have been calculated by applying an earnings multiple of four times the year five projected net cash flows in the Construction CGU and a terminal value growth rate of 1% in the National Mining & WA Civil CGU.

Management does not believe that any reasonably possible change in any of these key assumptions would cause the carrying value of the CGU's to exceed their recoverable value.

20. Trade and other payables

In thousands of AUD	2014	2013
Current		
Trade payables and accrued expenses	**25,111**	23,584
Subcontractor payable	**39,239**	36,455
Subcontractor accrual	**164,681**	184,455
Retentions payable	**19,818**	18,939
	248,849	263,433
Non-current		
Retentions payable	**5,463**	8,128

21. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk and liquidity risk, refer Note 25.

In thousands of AUD	2014	2013
Current		
Finance lease liabilities	**39,153**	34,292
Non-current		
Finance lease liabilities	**35,648**	76,616

The Group's major finance lease provider has security by way of specific charges over plant & equipment with a carrying value of $79,332,000 (2013: $94,658,000) and a residual interest in other group assets, secondary to the Group's core banking group.

Finance lease liabilities

Finance lease liabilities of the Group are payable as follows:

	2014			2013		
In thousands of AUD	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	**43,121**	**3,968**	**39,153**	41,058	6,766	34,292
Between one and five years	**37,665**	**2,017**	**35,648**	82,765	6,149	76,616
	80,786	**5,985**	**74,801**	123,823	12,915	110,908

Under the terms of the lease agreements, no contingent rents are payable.

22. Employee benefits

In thousands of AUD	2014	2013
Current		
Liability for long service leave	**3,789**	3,362
Liability for annual leave	**10,360**	10,063
	14,149	13,425
Non-current		
Liability for long service leave	**4,085**	3,385
Total employee benefits	**18,234**	16,810

(a) Superannuation plan

The Group makes contributions to employee nominated defined contribution superannuation funds. The amount recognised as an expense was $12,175,000 for the financial year ended 30 June 2014 (2013: $13,509,000).

(b) Rights plans

The Group's Long Term Incentive Plan ("LTIP") is structured in a manner whereby awards (described as performance rights) granted to Senior Executives are a right to acquire fully paid ordinary shares in the Company for nil consideration, subject to meeting certain pre-determined vesting conditions. Performance rights awards have been made annually by the Board to Senior Executives since 1 July 2012. Upon vesting, performance rights exercise for nil consideration.

	Granted during the year ended 30 June 2014	Granted during the year ended 30 June 2013
Grant date	**27 August 2013**	September 2012
Testing date for performance hurdles	**30 June 2016**	30 June 2015
Vesting date	**No later than four weeks after the public release of the audited financial report for the 30 June 2016 financial year**	No later than four weeks after the public release of the audited financial report for the 30 June 2015 financial year
Outstanding as at 1 July 2013	-	1,460,000
Granted during the year ended 30 June 2014	**1,500,000**	-
Exercised during the year ended 30 June 2014	-	-
Expired during the year ended 30 June 2014	-	-
Forfeited during the year ended 30 June 2014	**(125,000)**	(145,000)
Outstanding as at 30 June 2014	**1,375,000**	1,315,000
Exercisable as at 30 June 2014	-	-

Vesting conditions

Employees must be employed by the Group on the vesting date. LTIP performance rights vest three years following the date of grant, subject to the Group achieving two discrete performance measures:

- Earnings Per Share (**EPS**) targets, which represent 60% of the total grant; and
- relative Total Shareholder Return (**TSR**) targets, which represent 40% of the total grant.

EPS

The proportion of the performance rights that vest subject to meeting EPS targets will be determined based on Watpac's actual aggregate EPS over the three year vesting period, compared to aggregate EPS that would need to be achieved to deliver compound annual growth rate (**CAGR**) targets, as set out below:

Actual cumulative EPS relative to CAGR targets	Proportion of EPS grant vesting
< X	Nil
> X, but < Y	Straight line vesting between Nil and 100%
> Y	100%

Where:

- X = minimum CAGR target of 20% for FY13 grants and 61% for FY14 grants; and
- Y = maximum CAGR target of 30% for FY13 grants and 73% for FY14 grants.

TSR

The proportion of the performance rights that vest subject to meeting TSR targets will be determined based on Watpac's TSR relative to a comparator group, as set out in the following table:

TSR of Watpac relative to TSR of comparator group of companies	Proportion of TSR grant vesting
<50th percentile	Nil
51st – 75th percentile	Straight line vesting between 50% and 100%
>75th percentile	100%
Comparator companies	AV Jennings Limited, Devine Limited, Sunland Group Limited, Finbar Group Limited, Cedar Woods Properties Limited, WDS Limited, AJ Lucas Group Limited, Seymour Whyte Limited, Global Construction Services Limited, Southern Cross Electrical Engineering Ltd, Gr Engineering Services Limited, RCR Tomlinson Limited, Lycopodium Limited, MACA Limited, Sedgman Limited, Decmil Group Limited, Ausenco Limited, Forge Group Limited, Macmahon Holdings Limited and Clough Limited.

Watpac's TSR performance will be assessed over three years commencing at the start of the financial year in which the grant of performance rights is made.

Measurement of fair values

The fair value of services received in return for performance rights granted during the years ended 30 June 2013 and 30 June 2014 was measured based on a Monte-Carlo simulation model with the following inputs:

	Granted August 2013	Granted September 2012
Grant fair value for EPS performance hurdle	**$0.51**	$0.64
Grant fair value for TSR performance hurdle	**$0.33**	$0.51
Exercise price	**$0.00**	$0.00
Share price at date of grant	**$0.63**	$0.73
Expected volatility	**43.00%**	38.00%
Expected life	**3 years**	3 years
Risk-free interest rate	**2.77%**	2.59%
Dividend yield	**7.00%**	4.60%

The volatility assumption is based on the actual volatility of the Group's daily closing share price over the three year period to grant date.

Share based payments recognised as an expense for the financial year ended 30 June 2014 was $429,000 (2013: $286,000). In accordance with a three year vesting period, this represents one third of the value attributable to the performance rights granted in FY13 and FY14 and outstanding at 30 June 2014.

(c) Option plans

The 2006 Employee Share Option Plan scheme was approved by the shareholders at the 2006 Annual General Meeting, under which 6,435,000 options over ordinary shares were issued to the senior management and employees for no consideration.

The terms and conditions of the options expiring after 30 June 2014 are summarised as follows:

Grant date	Initial number of instruments	Exercise date on or after	Exercise price $	Expiry date
25 October 2006	2,337,500	25 October 2009	2.45	25 October 2014
19 December 2006	880,000	25 October 2009	2.45	25 October 2014
Total share options	**3,217,500**			

All options expire on the earlier of the expiry date being five years from exercise date, or the termination of the employee's employment. Other than the service period, there are no other vesting conditions.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

All options are settled by physical delivery of shares.

The number and weighted average exercise prices of remaining 2006 Scheme share options are as follows:

	2014		2013	
	Weighted average exercise price $	Number of options '000	Weighted average exercise price $	Number of options '000
Outstanding at the beginning of the year	**2.45**	**1,775**	2.45	4,410
Exercised during the year	**-**	**-**	-	-
Expired during the year	**-**	**-**	-	(1,825)
Forfeited during the year	**2.45**	**(313)**	2.45	(810)
Outstanding at the end of the year	**2.45**	**1,462**	2.45	1,775
Exercisable at the end of the year	**2.45**	**1,462**	2.45	1,775

The remaining weighted average contractual life of these options is 0.3 years.

No options issued pursuant to the 2006 Scheme were exercised during the year ended 30 June 2014 (2013: Nil).

23. Provisions

In thousands of AUD	Make good corporate offices	Retirement of directors (i)	Restructuring (ii)	Total
Balance at 1 July 2012	344	356	-	700
Provisions accrued during the period	69	8	3,181	3,258
Provisions utilised during the period	-	-	-	-
Balance at 30 June 2013	413	364	3,181	3,958
Balance at 1 July 2013	**413**	**364**	**3,181**	**3,958**
Provisions accrued during the period	**156**	**8**	**-**	**164**
Provisions utilised during the period	**-**	**(122)**	**(2,768)**	**(2,890)**
Balance at 30 June 2014	**569**	**250**	**413**	**1,232**
Current	**-**	**-**	**413**	**413**
Non-current	**569**	**250**	**-**	**819**
	569	**250**	**413**	**1,232**

(i) Directors' retirement scheme

The Board's retirement scheme applies to Non-executive Directors who had completed a minimum of five years of service as a Director prior to 30 June 2003. The scheme provides for one-off payments to retiring Non-executive Directors of $60,000 (adjusted annually by CPI) and $90,000 for the Chair (adjusted annually by CPI), from 1 July 2003.

The accrued retirement benefit of the former Chair, Mr Seymour, was paid in FY14 following his retirement as a Non-executive Director of the Company in September 2013.

(ii) Restructuring

Following the decision in FY13 to close the Group's civil operations on the east coast of Australia, a restructuring provision of $3,181,000 was recorded. The balance of the restructuring provision at 30 June 2014 is $413,000 which mainly reflects onerous lease costs for regional office leases.

24. Capital and reserves

Share Capital

In thousands of shares	2014	2013
On issue at 1 July	**184,333**	184,333
Issued under Dividend Reinvestment Plan	**2,157**	-
On issue at 30 June – fully paid	**186,490**	184,333

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Reserves

Equity benefits reserve

The equity benefits reserve is used to record the value of equity benefits, including share options and performance rights, provided to employees as part of their remuneration.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Dividends

The following dividends were declared and paid by the Company for the year:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
2014				
Final 2013 ordinary	-	-	-	-
Interim 2014 ordinary	2.5	4,608	Franked	21/03/2014
Total amount		**4,608**		
2013				
Final 2012 ordinary	-	-	-	-
Interim 2013 ordinary	-	-	-	-
Total amount		**-**		

Subsequent to the year end, the Directors proposed the following dividend:

	Cents per share	Total amount $'000	Franked/ unfranked
Final 2014 ordinary	3.5	6,527	12.5% franked
Total amount		**6,527**	

The proposed dividend has not been recognised as a liability and has no income tax consequences.

In thousands of AUD	2014	2013
Dividend franking account		
30% franking credits available to shareholders of Watpac Limited for subsequent financial years	**391**	2,039

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

(a) the payment/receipt of the current tax liability/receivable; and

(b) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon the ability to declare dividends. 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 $350,000 (2013: $nil).

25. Financial instruments

Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Audit and Risk Committee provides regular reports to the Board on its activities. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework. The Audit and Risk Committee is assisted in its oversight by the Chief Executive Officer, Company Secretary, Group Risk Manager and Group Commercial Manager. The Group Risk Manager administers the Enterprise Risk Management Framework and ensures compliance with the Schedule of Delegated Authority. The Group Commercial Manager undertakes regular and ad hoc reviews of risk management controls and procedures in accordance with the protocols as set out in the Commercial Benchmarks and the Group commercial policy documents. The Group's Commercial Benchmarks set guidelines and procedures to be followed throughout the contractual negotiation process.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers where the group has an exposure above pre-agreed benchmarks. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Cash and cash equivalents and term deposits

The Group held cash and cash equivalents and term deposits totalling $190,198,000 at 30 June 2014 (2013: $137,473,000). This represents the maximum credit exposure on these assets. Cash and cash equivalents and term deposits are held with bank and financial institution counterparties who are rated A- to AA- based on Standard & Poor's long-term ratings. The significant majority of the Group's cash and cash equivalents and term deposits are held with a counterparty who is rated AA- based on Standard & Poor's long-term ratings.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Major new customers undergo a credit assessment process prior to commencing a contractual agreement which may bind the Group, in accordance with the Commercial Benchmarks and Group Credit Risk policies.

Any departures from the guidelines as stated in the Commercial Benchmarks must be authorised by General Managers and, if material, approved by the Chief Financial Officer and Chief Executive Officer. The Group also has conditions stipulated in certain contracts which provide for recourse in the event of a breach of contractual obligations.

The Group's maximum exposure to credit risk arising from financial assets, comprising cash and cash equivalents, term deposits and receivables, excluding the value of any collateral or other security at balance date, is its carrying amount, net of any provisions for impairment, as disclosed in the balance sheet and notes to the financial statements.

Financial guarantees

The Group's policy is to provide financial guarantees to wholly-owned subsidiaries that are listed in Note 31 as and when required. The Group also provides performance guarantees as part of its activities, details of which are provided in Note 28.

Exposure to credit risk

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

In thousands of AUD	Note	2014	2013
Cash and cash equivalents		**120,119**	88,927
Term deposits		**70,079**	48,546
Trade and other receivables – current	13	**74,484**	74,376
Trade and other receivables – non-current	13	**25,343**	-
Construction work in progress	13	**49,977**	83,891
		340,002	295,740

Impairment losses

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

In thousands of AUD	Gross 2014	Impairment 2014	Gross 2013	Impairment 2013
Not past due (current & non-current)	**95,431**	**-**	67,536	-
Past due 0-30 days	**3,656**	**-**	6,636	-
Past due 31-120 days	**677**	**-**	114	-
Past due 121 days to one year	**28**	**-**	83	-
More than one year	**79**	**(44)**	51	(44)
	99,871	**(44)**	74,420	(44)

There was no movement in the allowance for impairment in respect of trade and other receivables during the year:

In thousands of AUD	Impairment 2014	Impairment 2013
Balance at 1 July	**44**	1,363
Amounts written off	**-**	(1,319)
Balance at 30 June	**44**	44

Where the Group has an assessed exposure to credit risk, which results in the outcome of a transaction not being able to be estimated reliably, no revenue from the transaction is recognised in the Income Statement until such time as reliable estimation can be reasonably demonstrated.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed operating conditions. Rolling twelve month cash flows are forecast out on a weekly basis and reviewed regularly to ensure the assumptions remain valid. Contracting and National Mining & WA Civil cash flows are maintained through a regular billing and collection process in line with the terms of the individual contracts.

The following tables detail the Group's contractual maturities for its financial liabilities. The tables include both interest and principal cash flows.

2014

In thousands of AUD	Effective interest rate	Carrying amount	Contractual cash flows	12 months or less	1-2 years	2-5 years	More than 5 years
Finance lease liabilities	7.09%	**74,801**	**80,786**	**43,121**	**25,726**	**11,939**	**-**
Trade payables	-	**25,111**	**25,111**	**25,111**	**-**	**-**	**-**
Subcontractor payable	-	**39,239**	**39,239**	**39,239**	**-**	**-**	**-**
Subcontractor accrual	-	**164,681**	**164,681**	**164,681**	**-**	**-**	**-**
Retentions payable	-	**25,281**	**25,281**	**19,818**	**5,463**	**-**	**-**
		329,113	**335,098**	**291,970**	**31,189**	**11,939**	**-**

2013

In thousands of AUD	Effective interest rate	Carrying amount	Contractual cash flows	12 months or less	1-2 years	2-5 years	More than 5 years
Finance lease liabilities	7.18%	110,908	123,823	41,058	44,684	38,081	-
Trade payables	-	23,584	23,584	23,584	-	-	-
Subcontractor payable	-	36,455	36,455	36,455	-	-	-
Subcontractor accrual	-	184,455	184,455	184,455	-	-	-
Retentions payable	-	27,067	27,067	18,939	8,128	-	-
		382,469	395,384	304,491	52,812	38,081	-

The Group is currently in a net cash position and maintains a conservative approach to liquidity management. The new syndicated bank facility executed during the 2014 financial year also provides the Group with enhanced liquidity through a $25M revolving credit line.

(c) Market risk

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates currently affects both cash on deposit and debt obligations that have a floating interest rate. The Group's policy with respect to controlling interest rate risk is to ensure regular review of the current and forecast total cash and debt positions, and assess the impact adverse changes in interest rates have on finance income and expenses.

Consideration is given to:

- renewals/extension of existing positions;
- alternative products and investment options;
- substitute financing arrangements;
- counterparty credit risks;
- alternative hedging positions; and
- fixed rate interest instruments to mitigate any significant rate movement in floating interest rates.

At balance date, the Group had the following fixed and variable rate financial assets and liabilities:

In thousands of AUD		2014	2013
Fixed rate instruments			
Financial assets	(i)	**70,079**	48,546
Financial liabilities		**(74,801)**	(110,908)
		(4,722)	**(62,362)**
Variable rate instruments			
Financial assets		**120,119**	88,927
Financial liabilities		**-**	-
		120,119	**88,927**

(i) Fixed rate financial assets represent cash at call and term deposits which have varying maturity dates (not exceeding 6 months).

Sensitivity analysis for variable rate instruments

If interest rates had been 50 basis points lower or higher at reporting date and all other variables were held constant, the Group's profit from net variable rate instruments would decrease/increase by $601,000 (2013: $445,000).

Foreign currency risk

Foreign currency risk has been present in recent years and arisen through sourcing equipment for use in its mining operations and certain supplies for use in the contracting business from overseas locations. This has resulted in the Group having exposure to foreign currency denominated input costs on certain projects. The Group hedges its foreign currency exposures where it is deemed appropriate and there is an underlying hedged item. All foreign currency hedge transactions are undertaken in accordance with the Group's derivative trading policy.

(d) Fair values

Fair values versus carrying amounts

At 30 June 2014 and 30 June 2013, the net fair value of the Group's financial instruments approximates carrying values. The following methods and assumptions are used to determine the net fair value of each class of financial instrument.

Cash

The carrying amount approximates the fair value because of their short term to maturity.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other payables

Net fair value is based on the expected future cash outflows required to settle liabilities. As such carrying value approximates net fair value.

Finance leases

The net fair value of finance leases is calculated as the discounted value of expected future cash flows.

(e) Capital management

Management and the Board manage capital in a manner that attempts to facilitate optimum returns to shareholders, while ensuring Group entities continue to maintain conservative capital models and surplus liquidity. A capital management plan that assists in deriving the lowest cost of capital available, after taking into account market conditions, liquidity and aggregate project risks, is adopted by the Group. Watpac's capital structure is regularly reviewed, and where the need arises, appropriate adjustments made to the capital management plan.

A key metric used to monitor capital is the Group's gearing ratio. The gearing ratios as at 30 June 2014 and 30 June 2013 were as follows:

In thousands of AUD	Note	2014	2013
Interest bearing liabilities	21	**74,801**	110,908
Less cash and cash equivalents and term deposits		**(190,198)**	(137,473)
Net debt/(cash)		**(115,397)**	(26,565)
Total equity		**253,792**	238,190
Net debt/(cash) ratio		**(45%)**	(11%)

The balance of interest bearing liabilities at 30 June 2014 relates solely to equipment financing facilities which support the National Mining and WA Civil business.

The Group's net cash position is reflective of the conservative capital structure currently being employed by the Board. This is in recognition of current market conditions and a desire to demonstrate to potential future clients the Group's financial strength and project delivery capacity. It is also in the context of the Group's future growth strategies and requirement for capital reserves to underpin these.

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In thousands of AUD	2014	2013
Less than one year	**4,914**	8,187
Between one and five years	**12,949**	14,617
More than five years	**2,661**	5,435
	20,524	28,239

The Group leases office buildings under operating leases. The leases have varying termination dates up until 2020 (excluding renewal options). The Group also leases civil and mining equipment, motor vehicles and computer software under operating lease which typically run from one to five years.

During the financial year ended 30 June 2014 $7,983,000 was recognised as an expense in the income statement in respect of operating leases (2013: $9,788,000).

27. Capital and other commitments

In thousands of AUD	2014	2013
Plant and equipment – contracted but not provided for and payable		
- Within one year	**104**	962

28. Contingencies

The Directors are of the opinion that provisions are not required in respect of the following items, as it is not probable that a future sacrifice of economic benefits will be required.

In thousands of AUD	2014	2013
Secured contingent liabilities at year end are: Bank guarantees	**69,540**	27,035
Unsecured contingent liabilities at year end are: Insurance bonds	**130,101**	118,938

Controlled entities have entered into joint arrangements under which they then may be jointly and severally liable for liabilities for the joint operations.

Several claims have been brought against controlled entities in relation to past construction contracts. The controlled entities are defending the claims and Directors are of the opinion that adequate provisions have been recognised as at 30 June 2014 relating to potential future outflows associated with those claims.

29. Interests in joint operations

The Group has interests in two unincorporated joint arrangements which are classified as joint operations, being a:

- 50 per cent interest (2013: 50 per cent) in the Ocean Blue JV, a property development project situated at Hervey Bay, Queensland; and
- 50 per cent interest (2013: 50 per cent) in the Boyds Bay Marina JV, a property development project situated at Tweed Heads, Northern New South Wales.

The decision making processes outlined in each contractual arrangement implicitly leads to the existence of joint control.

For the year ended 30 June 2014 the total contribution of the joint operations to the operating profit before tax of the Group was a loss of $718,000 (2013: profit $725,000). This includes an impairment of property development inventory of $568,000 (2013: $nil). The Group's share of revenue during the year was $385,000 (2013: $3,969,000).

Included in the assets and liabilities of the Group are the following assets and liabilities attributable to the joint operations:

In thousands of AUD	2014	2013
Current assets		
Cash and cash equivalents	**66**	385
Inventories	**1,612**	524
Total current assets	**1,678**	909
Non-current assets		
Inventories	**-**	2,121
Total non-current assets	**-**	2,121
Total assets	**1,678**	3,030
Current liabilities		
Trade and other payables	**38**	42
Total current liabilities	**38**	42
Non-current liabilities		
Trade and other payables	**-**	-
Total non-current liabilities	**-**	-
Total liabilities	**38**	42

30. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, relief was granted to the wholly-owned controlled entities listed below from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports. It is a condition of the Class Order that the Company and each of the controlled entities 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 debts in the event of winding up of any of the controlled entities 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 controlled entities have also given similar guarantees in the event the Company is wound up.

The controlled entities subject to the Deed are:

- Watpac Specialty Services Pty Ltd
- Watpac Construction Pty Ltd
- Watpac Developments Pty Ltd
- Watpac Asia Pty Ltd
- Watpac Corporate Services Pty Ltd
- Watpac Construction (NSW) Pty Ltd
- Watpac Construction (Vic) Pty Ltd
- Watpac Civil & Mining (Vic) Pty Ltd
- JMS Civil & Mining Pty Ltd
- JJ McDonald & Sons Sub-Holdings Pty Ltd
- Watpac Civil & Mining Pty Ltd
- Watpac Construction (SA) Pty Ltd
- Watpac Finance Pty Ltd

A consolidated summarised income and retained profits statement and 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, at 30 June 2014 and 30 June 2013 is set out as follows:

In thousands of AUD	2014	2013
Summarised statement of income and retained profits		
Net profit/(loss) before tax	**23,941**	(2,956)
Income tax benefit/(expense)	**(6,226)**	(770)
Net profit/(loss) after tax	**17,715**	(3,726)
Retained earnings at beginning of year	**(33,319)**	(29,593)
Dividends recognised during the year	**(4,608)**	-
Retained earnings at end of year	**(20,212)**	(33,319)

In thousands of AUD	2014	2013
Balance Sheet		
Cash and cash equivalents	**120,085**	88,904
Term deposits	**70,079**	48,546
Trade and other receivables	**112,891**	151,928
Inventories – stock on hand	**15,635**	8,802
Inventories – property development assets	**7,096**	27,208
Income tax receivable	**-**	7,331
Total current assets	**325,786**	332,719
Inventories – property development assets	**13,840**	14,220
Property, plant and equipment	**161,787**	177,597
Intangibles	**27,698**	27,698
Other investments	**37,604**	47,432
Deferred tax assets	**14,930**	20,829
Total non-current assets	**255,859**	287,776
Total assets	**581,645**	620,495
Trade and other payables	**248,739**	262,996
Interest-bearing loans and borrowings	**39,153**	34,288
Employee benefits	**14,149**	13,410
Provisions	**413**	3,181
Total current liabilities	**302,454**	313,875
Trade and other payables	**5,463**	8,128
Interest-bearing loans and borrowings	**35,648**	76,616
Employee benefits	**4,085**	3,385
Provisions	**819**	777
Total non-current liabilities	**46,015**	88,906
Total liabilities	**348,469**	402,781
Net assets	**233,176**	217,714
Issued capital	**244,454**	242,528
Reserves	**8,934**	8,505
Retained earnings	**(20,212)**	(33,319)
Total equity	**233,176**	217,714

31. Consolidated entities

	Country of incorporation	Ownership interest	
		2014	2013
Parent entity			
Watpac Limited			
Subsidiaries			
Ahden Engineering (Aust) Pty Ltd	Australia	**100%**	100%
Bulimba Transations Pty Ltd	Australia	**100%**	100%
Watpac Specialty Services Pty Ltd	Australia	**100%**	100%
Riverdev Pty Ltd	Australia	**100%**	100%
Watdev Anchorage Residential Pty Limited	Australia	**100%**	100%
Watdev Asia Pty Ltd	Australia	**100%**	100%
Watdev Hughes Road Residential Pty Limited	Australia	**100%**	100%
Watdev Newstead Pty Ltd	Australia	**100%**	100%
Watdev Outlook At Peninsula Residential Pty Limited	Australia	**100%**	100%
Watdev St.Pauls Pty Ltd	Australia	**100%**	100%
Watdev Waterloo Pty Ltd	Australia	**100%**	100%
Watdev2 Pty Ltd	Australia	**100%**	100%
Watdev4 Pty Ltd	Australia	**100%**	100%
Watdev5 Pty Ltd	Australia	**100%**	100%
Watdev BRC Pty Ltd	Australia	**100%**	100%
Watdev Boyds Bay Pty Ltd	Australia	**100%**	100%
Watpac Finance Pty Ltd	Australia	**100%**	100%
Watdev9 Pty Ltd	Australia	**100%**	100%
Watdev10 Pty Ltd	Australia	**100%**	100%
Watpac Construction (SA) Pty Ltd	Australia	**100%**	100%
Watpac Corporate Services Pty Ltd	Australia	**100%**	100%
Watpac Asia Pty Ltd	Australia	**100%**	100%
Watpac Construction Pty Ltd	Australia	**100%**	100%
Watpac Developments Pty Ltd	Australia	**100%**	100%
Watpac Construction (NSW) Pty Ltd	Australia	**100%**	100%
Fisherman's Wharf Marina Hervey Bay Pty Ltd	Australia	**100%**	100%
Watpac Construction (Vic) Pty Ltd	Australia	**100%**	100%
Watpac Civil and Mining (Vic) Pty Ltd	Australia	**100%**	100%
JMS Civil and Mining Pty Ltd	Australia	**100%**	100%
Watpac Mining Pty Ltd	Australia	**100%**	100%
Watpac Civil & Mining Pty Ltd	Australia	**100%**	100%
JJ McDonald & Sons Sub-Holdings Pty Ltd	Australia	**100%**	100%
JMS Plant Pty Ltd	Australia	**100%**	100%
Watpac Construction (ACT) Pty Ltd	Australia	**100%**	100%

32. Discontinued operations

During the 30 June 2013 financial year, the Group committed to a plan of closing its existing civil operations in Queensland and Victoria. As a result, future civil opportunities, if any, along the eastern seaboard of Australia will only be pursued as part of the Group's other existing businesses.

Revenue and expenses relating to the discontinuation of civil operations in Queensland and Victoria, together with the previously announced closure of civil activities in South Australia, have been removed from the results of continuing operations and are shown in a single line item on the consolidated Income Statement.

The operating results for Civil Queensland, Victoria and South Australia for the year ended 30 June 2014 are as follows:

In thousands of AUD	2014	2013
Revenue	**6,076**	164,436
Cost of sales	**(6,076)**	(161,304)
Gross profit	-	3,132
Other income	-	(77)
Operating business unit administration expenses	-	(16,020)
Finance costs	-	(125)
Loss from discontinued operations before tax	-	(13,090)
Income tax benefit/(expense)	-	3,898
Loss from discontinued operations, net of tax	-	(9,192)
Basic earnings per share from discontinued operations	-	(4.99)¢
Diluted earnings per share from discontinued operations	-	(4.99)¢
Cash flows from discontinued operations		
Net cash provided by operating activities	**6,453**	1,154
Net cash from/(used in) investing activities	**747**	(34)
Net cash from/(used in) financing activities	-	(495)
Net cash from discontinued operations	**7,200**	625

33. Notes to the statement of cash flows

(a) Reconciliation of cash flows from operating activities

In thousands of AUD	Note	2014	2013
Cash flows from operating activities			
Profit for the year		**17,854**	(4,674)
Adjustments for:			
Loss on sale of property, plant & equipment		**146**	1,627
Share based payments	7	**429**	286
Depreciation	18	**40,020**	48,956
Amortisation of financial derivative asset		**-**	192
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		**8,463**	27,576
(Increase)/decrease in inventories		**53,836**	109,831
Increase/(decrease) in payables		**(17,249)**	(39,056)
(Increase)/decrease in income tax receivable		**7,331**	-
(Increase)/decrease in tax assets		**6,323**	7,133
Increase/(decrease) in provisions and employees benefits		**(1,302)**	3,450
Net cash from/(used in) in operating activities		**115,851**	155,321

(b) Non-cash financing and investing activities

During the financial year, the Group acquired plant and equipment of $4,735,000 (2013: $39,820,000) by means of finance lease. No secured loans were refinanced under the Group's equipment finance facilities during the reporting period (2013: $8,981,000).

34. Related parties

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

Mr C R Freeman (Chair)

Mr R B McGruther (Deputy Chair)

Mr J C M C Beerlandt

Mr B C Bowton (appointed 28 August 2013)

Mr G J Dixon (appointed 13 February 2014)

Mr R J Lette

Mr D M Little

Mr K A Mooney

Mr K W Seymour was Chair of the Board until 7 March 2012 and resigned as a Director on 24 September 2013.

Executives

Mr M G Monro	Chief Executive Officer and National General Manager – Construction
Mr M A Baker	Chief Financial Officer/Company Secretary
Mr E D Edwards	General Manager – Construction
Mr R J Hall	General Manager – Mining & WA Civil
Mr R M McDonald	General Manager – Property (to 16 May 2014)

Transactions with key management personnel

Key management personnel compensation

The key management personnel compensation included in personnel expenses (Note 7) is as follows:

In AUD	2014	2013
Short-term employee benefits	**3,558,277**	3,541,248
Post-employment benefits	**114,697**	203,699
Termination/retirement benefits	**316,053**	1,069,259
Share based payments	**249,411**	163,440
	4,238,438	4,977,646

A number of Directors or their related parties hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions with Directors and key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non related entities on an arm's length basis.

(a) Transactions with related parties

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

In AUD			2014	2013
Key management personnel	**Transaction**			
Mr C R Freeman	Directors' fees	(i)	**16,510**	16,100
Mr R B McGruther	Directors' fees	(ii)	**33,000**	22,500
Mr J C M C Beerlandt	Directors' fees	(iii)	**95,000**	9,194
Mr R J Lette	Directors' fees	(iv)	**8,044**	7,844
Mr D M Little	Directors' fees	(v)	**95,000**	95,000
Mr K A Mooney	Directors' fees	(vi)	**8,044**	7,844
Mr K W Seymour	Construction services	(vii)	-	9,135
	Civil services	(viii)	-	48,621
	Directors' fees	(ix)	**1,961**	7,844
Mr G K Kempton	Directors' fees	(x)	-	75,208
	Post-employment benefits	(xi)	-	25,000
Mr M G Monro	Development services	(xii)	-	411,625
Mr R M McDonald	Development services	(xiii)	-	564,250
	Post-employment benefits	(xiv)	**20,883**	8,530
Mr H C Davis	Post-employment benefits	(xv)	-	20,833
Amounts payable arising at year end:				
Besix Australia Pty Ltd		(iii)	**7,916**	9,194

Notes

(i) Directors' fees were paid to Mr C R Freeman's self-managed superannuation fund. The amount represents a portion of Mr C R Freeman's Directors' fees. The remainder of Directors' fees was paid directly to Mr C R Freeman with the total representing aggregate fees paid as per the Remuneration Report in Section 6.5.

(ii) Directors' fees were paid to Mr R B McGruther's self-managed superannuation fund. The amount represents a portion of Mr R B McGruther's Directors' fees. The remainder of Directors' fees was paid directly to Mr R B McGruther with the total representing aggregate fees paid as per the Remuneration Report in Section 6.5.

(iii) Amounts were paid to Besix Australia Pty Ltd representing Directors' fees for services rendered by Mr J C M C Beerlandt during the reporting period. The total amount represents the aggregate fees accrued by Mr J C M C Beerlandt as per the Remuneration Report in Section 6.5.

(iv) Directors' fees were paid to Mr R J Lette's self-managed superannuation fund. The amount represents a portion of Mr R J Lette's Directors' fees. The remainder of Directors' fees was paid directly to Mr R J Lette with the total representing aggregate fees paid as per the Remuneration Report in Section 6.5.

(v) Directors' fees relating to Mr D M Little were paid directly to Davlit Properties Pty Ltd, of which Mr D M Little is a director. This amount represents the aggregate fees paid to Mr D M Little as per the Remuneration Report in Section 6.5.

(vi) Directors' fees were paid to Mr K A Mooney's self-managed superannuation fund. The amount represents a portion of Mr K A Mooney's Directors' fees. The remainder of Directors' fees was paid directly to Mr K A Mooney with the total representing aggregate fees paid as per the Remuneration Report in Section 6.5.

(vii) During the year ended 30 June 2013, a controlled entity provided construction services to S. KW Pty Ltd of which Mr K W Seymour is a director.

(viii) During the year ended 30 June 2013, the Group settled an outstanding receivable owing from KS2 Pty Ltd in relation to disputed civil works undertaken during 2010. The full and final settlement was below the previously estimated recoverable amount and this gave rise to the Group reversing $48,621 in previously recognised project revenue.

(ix) Directors' fees were paid to Mr K W Seymour's self-managed superannuation fund. The amount represents a portion of Mr K W Seymour's Directors' fees. The remainder of Directors' fees was paid directly to Mr K W Seymour with the total representing aggregate fees paid as per the Remuneration Report in Section 6.5.

(x) During the year ended 30 June 2013, directors' fees relating to Mr G K Kempton were paid directly to The Business Consulting Trust, of which Mr G K Kempton is the Trustee. The amount represents a portion of Mr G K Kempton's Directors' fees. The remainder of Directors' fees was paid directly to Mr G K Kempton with the total representing aggregate fees paid as per the Remuneration Report in Section 6.5.

(xi) During the year ended 30 June 2013, superannuation benefits were paid to Mr G K Kempton's self-managed superannuation fund. The amount represents a portion of Mr G K Kempton's superannuation benefits. The remainder of Mr G K Kempton's superannuation benefits was paid to an externally managed superannuation fund with the total representing aggregate superannuation benefits paid as per the Remuneration Report in Section 6.5.

(xii) During the year ended 30 June 2013, Mr M G Monro purchased an apartment developed by the Group.

(xiii) During the year ended 30 June 2013, Mr R M McDonald purchased an apartment developed by the Group.

(xiv) Superannuation benefits were paid to Mr R M McDonald's self-managed superannuation fund. The amount represents a portion of Mr R M McDonald's superannuation benefit. The remainder of Mr R M McDonald's superannuation benefits was paid to an externally managed superannuation fund with the total representing aggregate superannuation benefits paid as per the Remuneration Report in Section 6.5.

(xv) During the year ended 30 June 2013, superannuation benefits were paid to Mr H C Davis' self-managed superannuation fund. The amount represents a portion of Mr H C Davis' superannuation benefit. The remainder of Mr H C Davis' superannuation benefits was paid to an externally managed superannuation fund with the total representing aggregate superannuation benefits paid as per the Remuneration Report in Section 6.5.

(b) Share options and performance rights issued to related parties

There are no voting or dividend rights attached to the options or performance rights. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised and performance rights vested. All options and performance rights will be settled by physical delivery of shares.

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of performance rights and options over ordinary shares in Watpac Limited held, directly, or indirectly or beneficially, by members of Key Management Personnel who hold options, including their related parties, is as follows:

Current Scheme – Performance Rights

	Held at 1 July	Granted as compensation	Exercised	Other changes[1]	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2014							
Executives							
Mr M G Monro	**440,000**	**440,000**	**-**	**-**	**880,000**	**-**	**-**
Mr M A Baker	**200,000**	**200,000**	**-**	**-**	**400,000**	**-**	**-**
Mr E D Edwards[2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mr R J Hall[2]	**125,000**	**125,000**	**-**	**-**	**250,000**	**-**	**-**
Mr R M McDonald	**60,000**	**60,000**	**-**	**(120,000)**	**-**	**-**	**-**
2013							
Executives							
Mr M G Monro	-	440,000	-	-	440,000	-	-
Mr M A Baker	-	200,000	-	-	200,000	-	-
Mr E D Edwards[2]	-	-	-	-	-	-	-
Mr R J Hall[2]	-	125,000	-	-	125,000	-	-
Mr R M McDonald	-	60,000	-	-	60,000	-	-
Mr G J Sneyd[3]	-	60,000	-	-	60,000	-	-

1. Other changes represent performance rights that expired or were forfeited during the year.
2. Appointed to Key Management Personnel on 23 August 2012.
3. Ceased to be Key Management Personnel on 22 August 2012.

Previous scheme – Employee Share Option Plan

	Held at 1 July	Granted as compensation	Exercised	Other changes[1]	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2014							
Executives							
Mr M G Monro	**137,500**	-	-	-	**137,500**	-	**137,500**
Mr M A Baker	-	-	-	-	-	-	-
Mr E D Edwards[2]	**137,500**	-	-	-	**137,500**	-	**137,500**
Mr R J Hall[2]	-	-	-	-	-	-	-
Mr R M McDonald	**137,500**	-	-	**(137,500)**	-	-	-
2013							
Directors							
Mr G K Kempton	500,000	-	-	(500,000)	-	-	-
Executives							
Mr M G Monro	275,000	-	-	(137,500)	137,500	-	137,500
Mr M A Baker	-	-	-	-	-	-	-
Mr E D Edwards[2]	275,000	-	-	(137,500)	137,500	-	137,500
Mr R J Hall[2]	-	-	-	-	-	-	-
Mr R M McDonald	275,000	-	-	(137,500)	137,500	-	137,500
Mr G J Sneyd[3]	275,000	-	-	(137,500)	137,500	-	137,500

1. Other changes represent options that expired or were forfeited during the year.
2. Appointed to Key Management Personnel on 23 August 2012. Mr E D Edwards held 275,000 options on appointment.
3. Ceased to be Key Management Personnel on 22 August 2012.

No options held by key management personnel are vested but not exercisable.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Watpac Limited held, directly, indirectly or beneficially, by each member of Key Management Personnel, including their related parties, is as follows:

No shares were granted to Key Management Personnel during the reporting period as compensation.

	Held at 1 July	Purchases /DRP	Received on exercise of options	Sales	Other	Held at 30 June
2014						
Directors						
Mr C R Freeman	**5,000**	-	-	-	-	**5,000**
Mr R B McGruther	**174,500**	-	-	-	-	**174,500**
Mr J C M C Beerlandt	-	-	-	-	-	-
Mr B C Bowton	-	**297,040**	-	-	-	**297,040**
Mr G J Dixon	-	-	-	-	-	-
Mr R J Lette	**864,892**	**15,397**	-	-	-	**880,289**
Mr D M Little	**989,902**	-	-	-	-	**989,902**
Mr K A Mooney	**1,000**	-	-	-	-	**1,000**
Mr K W Seymour[1]	-	-	-	-	-	-
Executives						
Mr M G Monro	**100,000**	-	-	-	-	**100,000**
Mr E D Edwards[2]	**412,500**	-	-	-	-	**412,500**
2013						
Directors						
Mr C R Freeman	5,000	-	-	-	-	5,000
Mr R B McGruther	174,500	-	-	-	-	174,500
Mr J C M C Beerlandt	-	-	-	-	-	-
Mr K W Seymour	27,496,190	165,450	-	(27,661,640)	-	-
Mr R J Lette	864,892	-	-	-	-	864,892
Mr D M Little	989,902	-	-	-	-	989,902
Mr K A Mooney	1,000	-	-	-	-	1,000
Executives						
Mr M G Monro	100,000	-	-	-	-	100,000
Mr E D Edwards[2]	412,500	-	-	-	-	412,500
Mr G J Sneyd[3]	93,750	-	-	-	(93,750)	-
Mr H C Davis[3]	20,000	-	-	-	(20,000)	-

1. Ceased to be Key Management Personnel on 24 September 2013 following retirement as a Director.
2. Appointed to Key Management Personnel on 23 August 2012. Mr E D Edwards held 412,500 shares on appointment.
3. Ceased to be Key Management Personnel on 22 August 2012.

35. Parent entity

As at, and throughout, the financial year ending 30 June 2014 the parent company of the Group was Watpac Limited.

In thousands of AUD	2014	2013
Result of the parent entity		
Profit/loss for the period	**13,682**	(23,288)
Other comprehensive income	**-**	-
Total comprehensive income for the period	**13,682**	(23,288)
Financial position of the parent entity at year end		
Current assets	**7,576**	7,382
Total assets	**98,061**	87,135
Current liabilities	**254**	215
Total liabilities	**504**	579
Total equity of the parent entity comprising of:		
Share capital	**237,001**	235,074
Reserves	**3,861**	3,861
Retained earnings	**(143,305)**	(152,379)
Total equity	**97,557**	86,556

Parent entity guarantees in respect of debts of its subsidiaries

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

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

36. Subsequent events

Other than the declaration of the dividend which occurred subsequent to 30 June 2014 and is disclosed in Note 24, 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, to affect the operations or state of affairs of the Group in future financial years.

37. Changes in accounting policies

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied in its consolidated financial report as at and for the year ended 30 June 2013.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards in these consolidated financial statements:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of interests in other entities*
- AASB 13 *Fair value measurement*
- AASB 119 *Employee Benefit (Amendment)*.

Adopting the new standards and amendments has not resulted in any material changes to the Group's consolidated financial statements

38. Significant accounting policies

(a) Basis of consolidation

(i) Business Combinations

All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company 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 report from the date that control commences until the date that control ceases.

(iii) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

In respect of its interests in joint operations, the Company recognises its share of jointly held assets, liabilities, revenues and expenses.

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of the parent and its controlled entities is Australian dollars.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the Group's functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign currency differences arising on retranslation are recognised in the Income Statement.

(c) Property, plant and equipment

Items of property, plant and equipment are stated at cost including expenditure that is directly attributable to the acquisition of the asset less accumulated depreciation (see below) and impairment losses. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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.

Depreciation is charged to the Income Statement on a straight-line or other basis if better reflective of the asset or its component parts' use, over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

- Buildings and Improvements 40 years
- Plant and equipment 2 – 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Land is not depreciated.

(d) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is not amortised.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

(e) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Income Statement.

Capitalised leased assets are depreciated over their estimated useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

(f) Inventories

(i) Property development projects

Property development projects are carried at the lower of cost and net realisable value. The cost of property development inventory includes the cost of initial land acquisition together with development, borrowing and holding costs. Net realisable value is determined on an undiscounted basis and is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Property development projects which are not expected to be sold within 12 months are classified as non-current.

Interest and other holding costs incurred prior to commencement of and following completion of development are expensed to the income statement when incurred. Development activities have generally commenced soon after acquisition, however the Group does not classify a project as having commenced development where significant rental income from pre-existing tenancies is being generated.

(g) Construction work in progress

Construction work in progress is carried at cost plus profit recognised to date based on the value of work completed, less progress billings and 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, being those costs which relate to contract activity in general which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract. Those costs which are expected to be incurred under penalty clauses and warranty provisions are also included.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Revenue is recognised to the extent of costs incurred where it is probable that the costs will be recovered. Provision for the total estimated loss on a contract is made as soon as the loss is identified.

(h) Financial Instruments

(i) Non-derivative financial assets and financial liabilities – 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, 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, it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset or it does not expect cashflows to occur. 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.

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

(ii) Non-derivative financial assets – measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and at call deposits which are readily convertible to known amounts of cash and are subject to an insignificant change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Term deposits

Term deposits comprise deposits and funds at call with financial institutions which are generally readily convertible known amounts of cash subject to insignificant change in value.

Loans and receivables

Loans and receivables, which include trade and other receivables, are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in the Income Statement where there are changes in fair value.

Available-for-sale financial assets

The Group's investments in equity securities which are classified as available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an asset is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

(iii) Non-derivative financial liabilities – measurement

Trade Payables

Trade and other payables are carried at amortised cost.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the Income Statement when the liabilities are derecognised and as well as through the amortisation process.

(iv) Derivative financial instruments and hedging

Interest rate hedges, including swaps and options, are used to hedge risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the Income Statement. The fair values of interest rate swap and option contracts are determined by reference to market values for similar instruments. For the purpose of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

(i) Assets held for sale

Non current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Income Statement. Gains are not recognised in excess of any cumulative impairment loss.

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

(j) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs upon disposal or if earlier, when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

(k) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date plus related on costs.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, and other leave benefits; and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

A liability is recognised for the amount expected to be paid as a bonus if the Group has a present legal or constructive obligation to pay this amount, as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The Short Term Incentive Plan, the Long Term Incentive Plan and Employee Share Option Plan allow Group employees to acquire shares of the Company, subject to any vesting conditions. The fair value of options granted and performance rights issued is recognised as an employee expense with a corresponding increase in equity of the Group. The fair value of options granted and performance rights issued is measured at grant date and spread over the vesting period.

The fair value of the options granted is measured taking into account the terms and conditions upon which the options were granted. The fair value of the performance rights issued is measured by using a Monte-Carlo simulation. The amount recognised as an expense, from both options granted and performance rights issued, is adjusted to reflect the actual number of options/performance rights that vest except where, in the case of performance rights, they relate to non-market based measures. Expenses previously recognised are reversed when a performance right is forfeited within the vesting period.

(l) 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 and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

(m) Revenue

(i) Construction contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the Income Statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to costs incurred and surveys of work performed. An expected loss on a contract is recognised immediately in the Income Statement.

(ii) Services contracts

Revenue from the provision of services is recognised in accordance with a schedule of rates established under the contract, unless the outcome of the transaction cannot be estimated reliably. Revenue is recognised in the accounting period in which the services are rendered or when the criteria for reliable estimation of the transaction has been satisfied.

(iii) Sales of property

Revenue is recognised when the significant risks and rewards of ownership of the property have passed to the buyer and can be measured reliably. Risks and rewards of ownership may be passed on transfer of legal title or upon entering into an unconditional contract.

(iv) Rental income

Rental income is recognised in the Income Statement on a straight-line basis over the term of the lease.

(v) Interest

Interest revenue is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(vi) Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(n) Borrowing costs

Unless incurred during the development phase of a property development or acquisition of an item of plant and equipment, borrowing costs are recognised as an expense when incurred. Borrowing costs incurred during development of properties are recognised as part of the cost of inventory.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided 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:

- goodwill;
- the initial recognition of assets or liabilities not in a business combination that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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

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

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

The head entity, in conjunction with other members of the tax-consolidated group, has a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts.

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(q) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders for:

- costs of servicing equity (other than dividends) and preference share dividends; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares and dividing this by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

39. New accounting standards to be applied in future reporting periods

The accounting standards that have not been adopted early for the year ended 30 June 2014 but will be applicable to the Group in future reporting periods are detailed below:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets and financial liabilities. AASB 9 will become mandatory for the Group's 30 June 2016 financial statements. The new standard is not expected to have a significant impact on the Group's financial statements. AASB 9 is available for early adoption at 30 June 2014, but has not been applied in preparing this financial report.
- IFRS15 Revenue from Contracts with Customers was issued by the International Accounting Standards Board in May 2014. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new revenue standard will be mandatory for the Group's 30 June 2018 financial statements. The new standard is currently being assessed for the impact, if any, on the Group's future financial results.

Voting Rights – Ordinary Shares

Fully Paid Ordinary Shares – 1 vote for every 1 share.

Distribution of Holdings of Fully Paid Ordinary Shares as at 26 September 2014.

Range	Holders
1 - 1,000	1,138
1,001 - 5,000	1,651
5,001 - 10,000	882
10,001 - 100,000	1,837
100,001 and over	134
Total	**5,642**

Holdings of less than a marketable parcel

At 26 September 2014 there were 783 holders of ordinary shares holding less than a marketable parcel.

The top 20 fully paid ordinary shareholders at 26 September 2014.

Holder	No of Shares	Percentage
BESIX GROUP SA	39,456,125	20.85
CITICORP NOMINEES PTY LIMITED	17,200,348	9.09
J P MORGAN NOMINEES AUSTRALIA LIMITED	9,349,346	4.94
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,571,787	4.00
NATIONAL NOMINEES LIMITED	7,142,286	3.77
JOHN GOSS PROJECTS PTY LTD	6,589,651	3.48
CH GLOBAL PTY LTD <THE ABC INVESTMENT A/C>	1,500,000	0.79
MR JOHN ROSTYN HOMEWOOD	1,500,000	0.79
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,464,608	0.77
BRAZIL FARMING PTY LTD	1,200,000	0.63
BOND STREET CUSTODIANS LIMITED <INTELLIGENT INV WHOLESALE>	1,150,000	0.61
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,123,581	0.59
MS SANDIE KARIN ANGUS	1,000,000	0.53
D LITTLE	989,902	0.52
SIMBRAN PTY LIMITED <MORGAN FAMILY A/C>	700,000	0.37
STANBOX PTY LIMITED <THE SALEM FAMILY ACCOUNT>	700,000	0.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	659,324	0.35
QIC LIMITED	654,379	0.35
PINECREST PTY LTD	643,597	0.34
LANCE HECTOR MATHESON	638,576	0.34
Total	**101,233,510**	**53.49**

The Company's register of substantial shareholders records the following information as at 26 September 2014.

	Fully paid ordinary shares	Percentage of total shares
BESIX GROUP SA	37,707,063	20.22
COMMONWEALTH BANK OF AUSTRALIA AND ITS SUBSIDIARIES	12,070,612	6.47
ACORN CAPITAL LIMITED	10,198,805	5.53

Issued Shares

Issued capital of the Company as at 26 September 2014 189,258,397

Corporate Directory

Board of Directors

R B McGruther	Chair, Non-executive Director
J C M C Beerlandt	Non-executive Director
B C Bowton	Non-executive Director
G J Dixon	Non-executive Director
R J Lette	Non-executive Director
D M Little	Non-executive Director
K A Mooney	Non-executive Director

Alternate Director

C J Schreurs — Alternate for J C M C Beerlandt

Company Secretary

M A Baker

Registered Office

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Fax 07 3251 6393
Web www.watpac.com.au

Share Registry Office

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Tel 1300 850 505

Auditor

KPMG
Brisbane Qld

Corporate Contacts

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ABN 98 010 562 562

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Fortitude Valley Qld 4006

Tel 07 3251 6300
Fax 07 3251 6393

Chief Executive Officer

M G Monro

Chief Financial Officer

M A Baker

Construction

General Manager Construction
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Tel 07 3251 6300
Fax 07 3251 6396

National Mining & WA Civil

General Manager National Mining & WA Civil
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Nedlands WA 6009

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Fax 07 3251 6394

Specialty Services

General Manager Specialty Services
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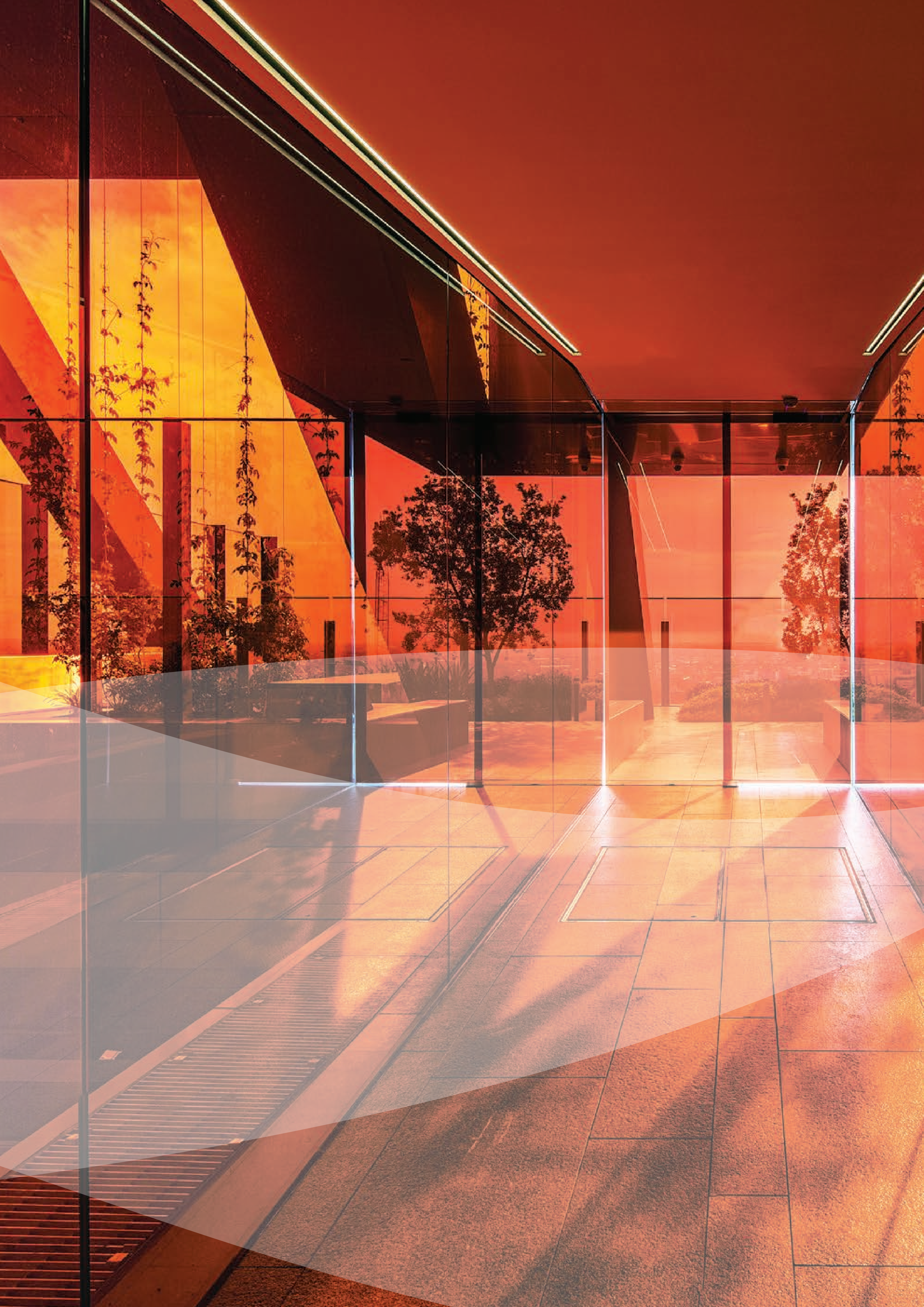
Tel 07 3251 6300
Fax 07 3251 6392



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