Sedgman Limited [ASX: SDM]

ABN 86 088 471 667

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Sedgman Limited

ABN 86 088 471 667

Appendix 4D

for the half year ended 31 December 2014

APPENDIX 4D
HALF YEAR REPORT

Name of Entity:

SEDGMAN Limited

ABN:

86 088 471 667	Current reporting period	Half Year ended 31 December 2014
	Previous corresponding period	Half Year ended 31 December 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenue from ordinary activities	Up	4.6%	to	144,497
Profit / (Loss) from ordinary activities after tax attributable to members	Up	169.4%	to	4,674
Basic earnings per share	Up	170.0%	to	2.1¢
Total dividend per share	Up	75.0%	to	3.5¢

DIVIDENDS	Amount per Security	Franked amount per security
For the 6 months ended 31 December 2014		
Interim Dividend	3.5 cents	3.5 cents
For the 6 months ended 31 December 2013		
Interim Dividend	2.0 cents	2.0 cents
The Record date for determining entitlements to the interim dividend	12 March 2015	
Date the dividend is payable	26 March 2015	

FINANCIAL PERFORMANCE

In a challenging environment Sedgman continued to win EPC projects across a range of commodities during the period:

- Sedgman was awarded a $133 million EPC contract for GEMCO at its Manganese Mine in the Northern Territory;
- Sedgman was awarded the $59.8 million contract for the filtration plant at Alcoa's Kwinana alumina refinery in Western Australia;
- Sedgman was awarded a $36.7 million contract for turn-key delivery of the train load-out for Cockatoo Coal's Baralaba Mine in Queensland; and
- The Thiess Sedgman Projects Joint Venture (TSPJV) was awarded a $64 million EPC contract for a modular iron ore processing plant at FMG's Solomon mine in Western Australia (this project is under review with the client).

The net profit after tax for the half year was $4.674 million, a 169% increase from the previous corresponding period. Underlying EBITA* increased by 192% to $7.860 million on higher combined sales revenue and improved margins in the Projects business offset by weaker revenues and margins in the Operations business. The Group's overheads and support costs have been reduced from the corresponding period by 32% due to reduced headcount, lower rental expense, lower Information Systems and Technology costs and a continued focus on cost control across the business.

Sedgman has a strong order book of $596 million leading into the second half of FY2015, balanced between Projects of $300 million and Operations of $296 million.

* Underlying EBITA is a non-statutory item which has not been audited or reviewed. This item is used in presentations to the investment community when reviewing the Group's performance.

NTA BACKING	31 December 2014	31 December 2013
Net Tangible asset backing per ordinary security	$0.558	$0.572

DETAILS OF JOINT ARRANGEMENTS AND ASSOCIATE ENTITIES

Name of entity (or group of entities)	Holding		Aggregate share of profit		Contribution to net profit	
	31-Dec-14 %	31-Dec-13 %	31-Dec-14 $'000	31-Dec-13 $'000	31-Dec-14 $'000	31-Dec-13 $'000
JOINT VENTURES						
GSJV SCC	50	50	1,709	-	1,709	-
Total Joint Ventures (before allocation of indirect costs)	50	50	1,709	-	1,709	-
ASSOCIATES						
OnTalent Pty Ltd	33	33	21	27	21	27
Total Associates (before allocation of indirect costs)	33	33	21	27	21	27

COMPLIANCE STATEMENT

This report is based on accounts that have been reviewed. The review report, which is unmodified, is contained in the company's 31 December 2014 Interim Financial Report.

Signed by: ....

Adrian Relf
Company Secretary

Date: 26 February 2014

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Sedgman Limited

ABN 86 088 471 667

Interim Financial Report

for the half-year ended 31 December 2014

Contents

The Directors present their report together with the condensed consolidated interim financial statements of the Group consisting of Sedgman Limited ("Sedgman" or "the Company") and its subsidiaries for the half-year ended 31 December 2014 and the auditor's review report thereon.

1. Directors

The following persons were directors of Sedgman Limited at any time during the half-year and up to the date of this report:

- Robert John McDonald (Appointed 8 June 2006, appointed Chairman of Board 21 November 2014)
- Peter Richard Watson (Appointed 26 June 2014)
- Russell James Kempnich (Appointed 6 July 1999, resigned as Chairman of Board 21 November 2014)
- Donald James Argent (Appointed 12 April 2006)
- Peter Ian Richards (Appointed 14 December 2010)
- Antony Leslie Jacobs (Appointed 3 October 2013)
- Roger Ronald Short (Appointed 8 June 2006, resigned 21 November 2014)

2. Principal activities

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

3. Operating and financial review

The Group's financial performance is explained using measures that are not defined under Australian Accounting Standards ("AASBs") and are therefore termed non-statutory measures. The non-statutory financial information contained within this Directors' report has not been audited or reviewed. The non-statutory measures used to monitor Group and business segment performance are combined sales revenue, earnings before interest, tax and amortisation ("EBITA") (underlying), EBITA margin (underlying), and net cash. Refer to section 3.6 of this report for a reconciliation of these non-statutory amounts to statutory financial information.

3.1. Performance overview

	Half-year 31 December 2014	Half-year 31 December 2013	Change
Net profit/(loss) after tax	$4.674m	($6.737)m	Up 169%
EBITA (underlying)	$7.860m	($8.589)m	Up 192%
EBITA margin (underlying)	4.9%	(5.6%)	
Combined sales revenue	$160.315m	$153.855m	Up 4%
Net cash from operating activities	$16.610m	$5.506m	Up 202%
Reported earnings per share	2.1 cents	(3.0) cents	Up 170%
Dividend per share	3.5 cents	2.0 cents	Up 75%

The net profit after tax for the half year was $4.674 million, a 169% increase from the previous corresponding period. Underlying EBITA increased by 192% to $7.860 million on higher combined sales revenue and improved margins in the Projects business offset by weaker revenues and margins in the Operations business.

The Group's overheads and support costs have been reduced from the corresponding period by 32% due to reduced headcount, lower rental expense, lower Information Systems and Technology costs and a continued focus on cost control across the business.

3. Operating and financial review (continued)

3.2. Projects segment

Combined sales revenue for the Projects business increased by 24.5% to $104.715 million as a number of major Engineering, Procurement and Construction (EPC) projects namely Boggabri, Aurora and Solomon progressed during the HY 2015 compared with the corresponding period with Mungari as the major EPC project under construction.

The Projects underlying EBITA profit for HY 2015 was $3.184 million. The EBITA margin of 3.0% for HY 2015 was more than the (17.7%) margin achieved in HY 2014. Project margins increased due to an improvement in utilisation of project staff, lower business costs and the recovery of previously impaired debtors.

In a challenging environment Sedgman continued to win EPC projects across a range of commodities during the period:

- Sedgman was awarded a $133 million EPC contract for GEMCO at its Manganese Mine in the Northern Territory;
- Sedgman was awarded the $59.8 million contract for the filtration plant at Alcoa's Kwinana alumina refinery in Western Australia;
- Sedgman was awarded a $36.7 million contract for turn-key delivery of the train load-out for Cockatoo Coal's Baralaba Mine in Queensland; and
- The Thiess Sedgman Projects Joint Venture (TSPJV) was awarded a $64 million EPC contract for a modular iron ore processing plant at FMG's Solomon mine in Western Australia (this project is under review with the client).

3.3. Operations segment

Combined sales revenue for the Operations business decreased by 20.3% to $55.600 million, as three operating sites managed in HY 2014 on behalf of clients have been either shut down or transitioned back to the owners. EBITA margin for HY 2015 of 8.4% (HY 2014: 9.1%) was within expectations as the business focuses on cost control.

3.4. Balance sheet and cashflow

Net operating cash from operating activities was $16.610 million, a $11.104 million increase on the previous corresponding period due to improved operating performance and the continued conversion of working capital to cash.

The dividend reinvestment plan was suspended during the period which resulted in an additional cash outflow of $2.115 million.

The Group increased its net cash position to $89.391 million at 31 December 2014 from $76.476 million at 30 June 2014. The Board continues to review capital management options as the resources sector transitions through the capital cycle. The company's strong balance sheet is viewed favourably by our clients and gives the company a competitive advantage compared to our peers.

3.5. Strategy and outlook

The environment for the global resources sector remains challenging as commodity prices remain subdued. The larger mining companies continue to focus on cost cutting targets and remain cautious on new capital project opportunities. The smaller mining companies are still faced with funding shortfalls to develop their projects and are experiencing difficulty in raising equity and debt for capital expenditure.

Project margins will remain under pressure as competition for reduced opportunities intensifies.

Sedgman is responding to these market conditions through continued focus on cost management and through offering commercially effective solutions, which is supported by our specialist global resource engineering, procurement and project delivery capability.

The Operations business remains focused on delivering value to clients by ensuring competitiveness in the market and offering value to the owner by leveraging systems, processes and procurement capability.

3. Operating and financial review (continued)

3.5. Strategy and outlook (continued)

The growth opportunities for the Operations business unit is with new clients which have operating sites requiring productivity improvements, costs reductions, simplification by outsourcing their operations to specialists and creating value for clients by leveraging in-house expertise through the Operations Consulting business. In addition, as the majors divest non-core assets, opportunities exist for Sedgman to provide operating services to new owners wishing to leverage Sedgman's experience, expertise and systems.

Sedgman has a strong order book of $596 million leading into the second half of FY2015, balanced between Projects of $300 million and Operations of $296 million.

3.6. Alternative performance measure reconciliations

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

The following are reconciliations of combined sales revenue to revenue from services in the statutory interim financial statements. This has been prepared for the Group and each reporting segment.

Reconciliation of Group combined sales revenue

	Half-year	
	31 December 2014 $'000	31 December 2013 $'000
Combined sales revenue	**160,315**	153,855
Changes in construction work in progress	**8,024**	(15,774)
Share of GSJV revenue	**(27,482)**	-
Sedgman revenue from GSJV	**4,420**	-
Group share of associates revenue	**(780)**	-
Revenue from services	**144,497**	138,081

Reconciliation of Projects' combined sales revenue

	Half-year	
	31 December 2014 $'000	31 December 2013 $'000
Projects combined sales revenue	**104,715**	84,101
Changes in construction work in progress	**8,024**	(15,774)
Share of GSJV revenue	**(27,482)**	-
Sedgman revenue from GSJV	**4,420**	-
Share of associates revenue	**(780)**	-
Revenue from project services	**88,897**	68,327

3. Operating and financial review (continued)

3.6. Alternative performance measure reconciliations (continued)

Reconciliation of Operations' combined sales revenue

	Half-year 31 December 2014 $'000	31 December 2013 $'000
Operations combined sales revenue	**55,600**	69,754
Nil adjustments	**-**	-
Revenue from operations services	**55,600**	69,754

The following are reconciliations of EBITA (underlying) to net profit/(loss) in the interim statutory financial statements. This has been prepared for the Group and each reporting segment.

Reconciliation of Group EBITA (underlying)

	Half-year 31 December 2014 $'000	31 December 2013 $'000
EBITA (underlying)	**7,860**	(8,589)
Interest income / change in fair value of financial assets	**1,565**	1,421
Finance costs	**(1,179)**	(1,402)
Redundancy costs	**(1,405)**	(1,118)
Amortisation (brand and customer contracts)	**-**	(573)
Tax recognised in joint venture	**(273)**	-
Net profit/(loss) before tax	**6,568**	(10,261)
Income tax (expense)/benefit	**(1,894)**	3,524
Net profit/(loss) after tax	**4,674**	(6,737)

Reconciliation of Projects' EBITA (underlying)

	Half-year 31 December 2014 $'000	31 December 2013 $'000
Projects EBITA (underlying)	**3,184**	(14,923)
(Other income) / expenses	**(1,301)**	(2,158)
Finance costs	**(534)**	(627)
Redundancy costs	**(687)**	(984)
Reportable segment profit/(loss) before tax	**662**	(18,692)

Reconciliation of Operations' EBITA (underlying)

	Half-year 31 December 2014 $'000	31 December 2013 $'000
Operations EBITA (underlying)	**4,676**	6,334
(Other income) / expenses	**(531)**	(141)
Finance costs	**(645)**	(775)
Redundancy costs	**(718)**	(134)
Amortisation (brand and customer contracts)	**-**	(573)
Reportable segment profit/(loss) before tax	**2,782**	4,711

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

3. Operating and financial review (continued)

3.6. Alternative performance measure reconciliations (continued)

The following is a reconciliation of net cash to cash and cash equivalents.

	31 December 2014 $'000	30 June 2014 $'000
Net cash	**89,391**	76,476
Interest bearing liabilities (current)	**9,125**	9,860
Interest bearing liabilities (non-current)	**9,380**	11,453
Cash and cash equivalents	**107,896**	97,789

4. Dividends

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

Declared and paid during the half-year	**Cents per share**	**Total Amount $'000**	**Franked/ Unfranked**	**Date of payment**
Final 2014 ordinary	2.0	4,541	Franked	24 September 2014

Franked dividends declared as paid during the half-year were franked at the rate of 30%.

After the balance sheet date, a fully franked dividend of 3.5 cents per share (2.0 cents per share declared at 31 December 2013) was proposed by the Directors, franked at the rate of 30%. The record date for entitlement to this dividend will be 12 March 2015 and the payment date will be 26 March 2015.

5. Matters subsequent to the end of the half-year

Subsequent to 31 December 2014, Sedgman has reached agreement in respect of outstanding contractual claims arising from the Bocamina Coal Handling Yard project in Chile in an amount of USD$4.55 million. Due to uncertainty surrounding the multi-jurisdictional payment arrangements, this amount has not been brought to account in the half-year results.

Other than the settlement noted above and the dividend declared subsequent to balance sheet date (refer note 9), there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

6. Auditor

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the directors' report for the half-year ended 31 December 2014.

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

7. 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 condensed consolidated interim financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

Robert John McDonald
Chairman

Peter Richard Watson
Managing Director

Brisbane
25 February 2015

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

To: the Directors of Sedgman Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2014, there have been:

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

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

KPMG

KPMG

Scott Guse
Partner

Brisbane
25 February 2015

	Notes	Half-year 2014 $'000	2013 $'000
Continuing operations			
Revenue from services	5	**144,497**	138,081
Other income		**3,397**	3,720
		147,894	141,801
Expenditure			
Changes in construction work in progress		**(8,024)**	15,774
Raw materials and consumables used		**(72,494)**	(84,695)
Depreciation and amortisation expense		**(5,764)**	(8,416)
Employee expenses		**(44,094)**	(49,642)
Agency contract fees		**(3,368)**	(2,603)
Impairment of receivables reversed / (recognised)	6	**2,078**	(6,409)
Other expenses		**(10,211)**	(14,696)
Finance costs		**(1,179)**	(1,402)
		(143,056)	(152,089)
Share of net profits/(losses) of investments accounted for using the equity method		**1,730**	27
Profit/(loss) before income tax		**6,568**	(10,261)
Income tax (expense)/benefit	7	**(1,894)**	3,524
Profit/(loss) for the period attributable to owners of the Company		**4,674**	(6,737)
		Cents	**Cents**
Earnings per share – continuing operations:			
Basic earnings per share		2.1	(3.0)
Diluted earnings per share		2.0	(3.0)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

	Half-year	
	2014 $'000	2013 $'000
Profit/(loss) for the period	**4,674**	(6,737)
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Changes in fair value of financial assets (net of tax)	**(197)**	(88)
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**1,384**	(888)
Other comprehensive income for the period (net of tax)	**1,187**	(976)
Total comprehensive income for the period attributable to owners of the Company	**5,861**	(7,713)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	31 December 2014 $'000	30 June 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**107,896**	97,789
Trade and other receivables		**64,454**	77,518
Assets classified as held for sale		**1,483**	1,483
Current tax assets		**2,095**	1,989
Inventories		**2,496**	2,587
Total current assets		**178,424**	181,366
Non-current assets			
Investments accounted for using the equity method		**4,609**	2,587
Financial assets at fair value through other comprehensive income		**1,030**	1,026
Financial assets at fair value through profit or loss		**1,035**	808
Property, plant and equipment		**19,587**	24,023
Deferred tax assets		**6,342**	6,871
Intangible assets		**38,186**	39,276
Total non-current assets		**70,789**	74,591
Total assets		**249,213**	255,957
LIABILITIES			
Current liabilities			
Trade and other payables		**52,321**	54,962
Interest bearing liabilities	8	**9,125**	9,860
Provisions		**10,825**	10,829
Current tax liabilities		**516**	2,026
Total current liabilities		**72,787**	77,677
Non-current liabilities			
Interest bearing liabilities	8	**9,380**	11,453
Provisions		**1,959**	3,238
Other		**237**	226
Total non-current liabilities		**11,576**	14,917
Total liabilities		**84,363**	92,594
Net assets		**164,850**	163,363
EQUITY			
Contributed equity		**116,212**	116,212
Reserves		**6,332**	4,978
Retained profits		**42,306**	42,173
Parent entity interest		**164,850**	163,363
Total equity attributable to owners of the Company		**164,850**	163,363

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Sedgman Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2014

	Notes	Contributed Equity $'000	Reserves: Foreign currency translation reserve $'000	Reserves: Equity compensation reserve $'000	Reserves: Financial assets revaluation reserve $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 July 2013		112,250	(4,520)	11,999	(420)	58,738	178,047
Total comprehensive income for the period^							
(Loss)/profit		-	-	-	-	(6,737)	(6,737)
Total other comprehensive income							
Movement in fair value of financial assets		-	-	-	(88)	-	(88)
Foreign exchange translation differences		-	(888)	-	-	-	(888)
Total comprehensive income for the period		-	(888)	-	(88)	(6,737)	(7,713)
Transactions with owners in their capacity as owners^:							
Contributions of equity		1,981	-	-	-	-	1,981
Employee performance rights		-	-	601	-	-	601
Dividends provided for or paid	9	-	-	-	-	(4,407)	(4,407)
		1,981	-	601	-	(4,407)	(1,825)
Balance at 31 December 2013		114,231	(5,408)	12,600	(508)	47,594	168,509
Balance at 1 July 2014		116,212	(6,571)	11,926	(377)	42,173	163,363
Total comprehensive income for the period^							
Profit/(loss)		-	-	-	-	4,674	4,674
Total other comprehensive income							
Movement in fair value of financial assets		-	-	-	(197)	-	(197)
Foreign exchange translation differences		-	1,384	-	-	-	1,384
Total comprehensive income for the period		-	1,384	-	(197)	4,674	5,861
Transactions with owners in their capacity as owners^:							
Employee performance rights		-	-	167	-	-	167
Dividends provided for or paid	9	-	-	-	-	(4,541)	(4,541)
		-	-	167	-	(4,541)	(4,374)
Balance at 31 December 2014		**116,212**	**(5,187)**	**12,093**	**(574)**	**42,306**	**164,850**

^ *Amounts recognised are disclosed net of income tax (where applicable).*

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Sedgman Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2014

	Notes	Half-year 2014 $'000	2013 $'000
Cash flows from operating activities			
Cash receipts from customers		**172,783**	172,697
Cash payments to suppliers and employees		**(153,998)**	(164,950)
		18,785	7,747
Interest received		**1,531**	1,491
Financing costs paid		**(995)**	(1,295)
Income taxes paid		**(2,711)**	(2,437)
Net cash from operating activities		**16,610**	5,506
Cash flows from investing activities			
Acquisition of other investments		**(250)**	(500)
Payments for convertible notes		**(250)**	(750)
Payments for property, plant and equipment		**(531)**	(478)
Proceeds from sale of property, plant and equipment		**616**	121
Acquisition of intangible asset		**-**	(144)
Net cash used in investing activities		**(415)**	(1,751)
Cash flows from financing activities			
Finance lease payments		**(736)**	(747)
Repayment of borrowings		**(2,100)**	(2,100)
Dividends paid	9	**(4,541)**	(2,426)
Net cash used in financing activities		**(7,377)**	(5,273)
Net increase/(decrease) in cash and cash equivalents		**8,818**	(1,518)
Effect of exchange rate fluctuations on cash held		**1,289**	223
Cash and cash equivalents at 1 July		**97,789**	103,354
Cash and cash equivalents at 31 December		**107,896**	102,059

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the condensed consolidated interim financial statements

1. Reporting entity

Sedgman Limited (the "Company") is domiciled in Australia. The Company's registered office is at Level 2, 2 Gardner Close, Milton QLD 4064, Australia. The condensed consolidated interim financial statements as at and for the half-year ended 31 December 2014 comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies").

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

2. Statement of compliance

The general purpose condensed consolidated interim financial statements for the half-year ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2014 and any public announcements made by Sedgman Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2014 are available upon request from the Company's registered office at Level 2, 2 Gardner Close, Milton, Qld, 4064 or at www.sedgman.com.

The condensed consolidated interim financial statements were approved by the Board of Directors on 25 February 2015.

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the condensed consolidated interim financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Estimates and judgements

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2014.

4. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014. There have been no new accounting standards that have had a significant impact on the condensed consolidated interim financial statements.

5. Segment information

Description of segments

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

Projects
Projects partners with clients in the Create phase, through project assessment, development and definition to provide commercially effective solutions. Projects delivers in the Build phase through the design, procurement, construction and commissioning of coal handling and preparation plants, minerals processing plants and other related equipment.

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

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

	Projects $'000	Operations $'000	Consolidated $'000
31 December 2014			
External revenue	**88,897**	**55,600**	**144,497**
Interest and finance charges	**(534)**	**(645)**	**(1,179)**
Depreciation and amortisation expense	**(1,553)**	**(4,211)**	**(5,764)**
Reportable segment profit/(loss) before income tax	**662**	**2,782**	**3,444**
31 December 2013			
External revenue	68,327	69,754	138,081
Interest and finance charges	(627)	(775)	(1,402)
Depreciation and amortisation expense	(1,564)	(6,852)	(8,416)
Reportable segment profit/(loss) before income tax	(18,692)	4,711	(13,981)

Reconciliation of reportable segment profit/(loss) before income tax:

	Half-year	
	2014 $'000	2013 $'000
Total profit/(loss) for reportable segments before income tax	**3,444**	(13,981)
Other income	**3,397**	3,720
Tax recognised in joint venture	**(273)**	-
Total profit/(loss) before income tax	**6,568**	(10,261)

6. Impairment of receivables

For the half-year ended 31 December 2014 the Group reversed provisions for impairment due to the partial recovery of amounts owing of $2.078 million included in the Projects segment. In the prior half-year the Group raised provisions for impairment of ($6.409) million for three of its long outstanding receivables in relation to both domestic and overseas entities.

7. Income tax (expense)/benefit

Income tax (expense)/benefit is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income/(loss) for the interim period.

	31 December 2014 $'000	31 December 2013 $'000
Profit/(loss) before income tax (expense)/benefit	**6,568**	(10,261)
Tax at the Australian tax rate of 30% (2013: 30%)	**(1,970)**	3,078
(Under)/over provision in prior year (i)	**(138)**	1,785
Difference in overseas tax rates	**109**	575
Tax effect of share of profits of equity accounted investments (ii)	**519**	-
Sundry	**(156)**	94
	(1,636)	5,532
Overseas tax losses written off	**(258)**	(2,008)
Income tax (expense)/benefit	**(1,894)**	3,524

(i) Included in the prior half-year over/(under) provision amount is $1.164 million which relates to non-deductible foreign tax credits.
(ii) The share of profits of equity accounted investments is net of income tax. This line item removes the prima facie tax effect on such profits.

8. Interest bearing liabilities

	31 December 2014 $'000	30 June 2014 $'000
Current		
Lease liabilities	**4,925**	5,660
Commercial loans (secured)	**4,200**	4,200
	9,125	9,860
Non-current		
Commercial loans (secured)	**9,380**	11,453
	9,380	11,453

9. Dividends

	Half-year	
	2014 $'000	2013 $'000
Ordinary shares		
Final fully franked dividend		
Dividend per share $0.02 (2013: $0.02) based on tax paid @ 30%	**4,541**	4,407
Total dividends provided for or paid	**4,541**	4,407
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the half-years ended 31 December 2014 and 31 December 2013 were as follows:		
Paid in cash	**4,541**	2,426
Satisfied by issue of shares	**-**	1,981
	4,541	4,407

9. Dividends (continued)

After the balance sheet date the following fully franked dividend was proposed by the Directors. The record date for entitlement to this dividend will be 12 March 2015. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	Franked/ unfranked	Date of Payment
Interim ordinary	3.5	Franked	26 March 2015

The financial effect of these dividends has not been brought to account in the condensed consolidated interim financial statements for the half-year ended 31 December 2014 and will be recognised in subsequent financial statements.

10. Contingencies

Guarantees and Performance Bonds
Bank guarantees and performance bonds have been given in respect of work in progress contracts and leased assets and premises of the Group amounting to $50.949 million (30 June 2014: $32.228 million).

11. Related party transactions

Arrangements with related parties continue to be in place. For details on those arrangements, refer to the 30 June 2014 annual consolidated financial statements. There were no significant changes in arrangements with related parties during the half-year ended 31 December 2014.

During the half-year ended 31 December 2013, Russell Todd from Jukes Todd & Associates, an entity over which the former Managing Director of Sedgman Limited had control, provided consulting services with respect to a dispute on a Projects contract for $60,588.

12. Financial instruments

(a) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2014.

(b) Valuation techniques

The fair value of financial assets and liabilities and their level in the fair value hierarchy, together with the carrying amounts shown in the condensed consolidated balance sheet, are set out in note 12(c). The fair value levels have been defined as follows:

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

12. Financial instruments (continued)

(c) Financial instruments classifications and fair values

	31 December 2014		30 June 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents (i)	**107,896**		97,789	
Trade and other receivables (i)	**64,454**		77,518	
Financial assets at fair value through other comprehensive income (ii)	**1,030**	**1,030**	1,026	1,026
Financial assets at fair value through profit or loss (iii)	**1,035**	**1,035**	808	808
Total financial assets	**174,415**		177,141	
Financial liabilities (i)				
Trade and other payables	**52,321**		54,962	
Interest bearing liabilities	**18,505**		21,313	
Total financial liabilities	**70,826**		76,275	

(i) The Group has not disclosed the fair values for cash and cash equivalents, trade and other receivables and financial liabilities as their carrying amounts are a reasonable approximation of fair values.

(ii) Financial assets at fair value through other comprehensive income includes an asset deemed Level 3 in the fair value hierarchy of $0.400 million (30 June 2014: $0.400 million). All other items are deemed Level 1.

(iii) Financial assets at fair value through profit or loss includes assets deemed Level 3 in the fair value hierarchy of $1.014 million (30 June 2014: $0.773 million). All other items are deemed Level 1.

(d) Level 3 fair values

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

	Designated at fair value	
	31 December 2014	30 June 2014
	$'000	$'000
Balance at beginning of period	**1,173**	400
Payments for convertible notes	**250**	750
Total unrealised gains/(losses) for the period included in profit or loss	**(9)**	23
Balance at end of period	**1,414**	1,173

13. Progress claims in advance

	31 December 2014	30 June 2014
	$'000	$'000
Construction work in progress comprises:		
Contract costs and net profits to date	**347,862**	302,371
Less: Progress billings	**(359,010)**	(305,697)
Net construction work in progress	**(11,148)**	(3,326)
Net construction work in progress comprises:		
Amounts due from customers – trade and other receivables	**6,004**	6,663
Amounts due to customers – trade and other payables	**(17,152)**	(9,989)
	(11,148)	(3,326)

14. Joint arrangements

The Group is a party to the Thiess Sedgman Project Joint Venture (TSPJV) which has been established for the purpose of delivering a contract with Fortescue Metals Group Limited to design and construct a modular iron ore processing plant at the Solomon mine.

The Group has a 50% ownership interest in the TSPJV and the arrangement is classified as a joint operation in accordance with AASB 11 *Joint Arrangements*.

15. Share-based payments

On 25 November 2009 the Group established a Long Term Incentive Plan (LTIP) that entitles Executives and other participants to receive performance rights in the Company. The terms and conditions of the LTIP programme for the current performance rights on issue are disclosed in the consolidated financial statements as at and for the year ended 30 June 2014.

The fair value of performance rights granted under Tranche 6 during the half-year ended 31 December 2014 of $0.43 per right was measured using the Monte Carlo pricing model taking into account: the terms and conditions upon which the rights were granted, the current likelihood of achieving the specified targets, the share price at grant date of $0.58, expected volatility of 50% and dividend yield of 5.50%.

(a) Long Term Incentive Plan (LTIP) (equity-settled)

3,898,000 equity-settled performance rights under Tranche 6 were granted on 18 December 2014 to key management personnel.

(b) Long Term Incentive Plan (LTIP) (cash-settled)

345,000 cash-settled performance rights under Tranche 6 were granted on 18 December 2014 to key management personnel.

(c) Expense recognised in profit or loss

During the half-year ended 31 December 2014 an expense of $0.149 million (2013: $0.610 million) was recognised by the Group in respect of the LTIP, for both equity-settled and cash-settled performance rights.

16. Events occurring after the balance sheet date

Subsequent to 31 December 2014, Sedgman has reached agreement in respect of outstanding contractual claims arising from the Bocamina Coal Handling Yard project in Chile in an amount of USD$4.55 million. Due to uncertainty surrounding the multi-jurisdictional payment arrangements, this amount has not been brought to account in the half-year results.

Other than the settlement noted above and the dividend declared subsequent to period end (refer note 9), there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

In the opinion of the directors of Sedgman Limited (the "Company"):

1. The condensed consolidated financial statements and notes that are set out on pages 8 to19, are in accordance with the *Corporations Act 2001*, including:

    a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

    b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the directors.

Robert John McDonald
Chairman

Peter Richard Watson
Managing Director

Brisbane
25 February 2015

Independent auditor's review report to the members of Sedgman Limited

We have reviewed the accompanying interim financial report of Sedgman Limited, which comprises the condensed consolidated balance sheet as at 31 December 2014, condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 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 half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sedgman Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Independent auditor's review report to the members of Sedgman Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sedgman Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Scott Guse
Partner

Brisbane
25 February 2015