

Delta SBD Limited

ABN 18 127 894 893

Annual report for the year ended 30 June 2015



Annual report – 30 June 2015

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Corporate Directory

Directors

G Galt B.Eng (Mining, Hons), B.Com, GDip App Fin (Finsia),
MAusIMM, MAICD
Chairman

S Bizzaca B.AppSc
Managing Director

G Dawkins AMEME Hons

G Garside FCPA, FAICD, JP

Secretary

M Etccl B.Com, CA, MAICD

Principal registered office in Australia

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Campbelltown NSW 2560

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Share registry

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Level 7, 207 Kent St
Sydney NSW 2000
Phone: +61 2 9290 9600
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Auditor

Ernst and Young
Ernst and Young Centre
680 George Street
Sydney NSW 2000

Bankers

Bank of Queensland
138 Queen Street
Campbelltown NSW 2560

Legal advisors

McCullough Robertson
Level 12, Central Plaza Two
66 Eagle Street
Brisbane QLD 4000

Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Stock exchange listings

Delta SBD Ltd shares are listed on the Australian Securities
Exchange – ASX: DSB. The home exchange is Sydney.

Website address

www.deltasbd.com.au

Chairman's Letter



Delta SBD is one of Australia's leading Mining Services companies. We operate in the underground coal mine sector and have been providing high quality services for over fifteen years.

We take pride in delivering value added solutions for clients built on a long term track record of safe and efficient work practices.

Dear Fellow Shareholder,

Delta SBD's operating results and Annual Report for the 2014/15 year are presented herein. The year was again very difficult for Australia's coal industry, with prices for all export coal types dropping over the course of the year. This situation pressured producers to reduce operating and capital expenditure outlays - which in turn led to fewer opportunities and low margins for contractors such as Delta SBD.

Our response was to focus on understanding our clients' needs, especially their short term needs, to demonstrate our value add even in difficult times, and to complete the corporate restructuring and debt reduction initiatives we started last year. We developed and offered a lower cost solution to a number of key mines. We repaired our balance sheet with a very significant debt reduction. Both strategies were successful, with revenue largely maintained against strong competition and a slightly improved margin from operations, plus a reduction in overheads and interest charges. Together these enabled us to return to profitability.

Directors are pleased to report that we again improved our safety performance this year. We maintained our proactive safety measures, achieving a 22% reduction in total recordable injury frequency rate as a result. This is a tribute to our workforce culture, hard work and attention to detail in the complex tasks that we undertake.

We intend to build on these successes in the years ahead with a goal of returning to being a dividend paying company as soon as we can. Directors have decided, however, not to declare a final dividend for the year and use the funds generated by the Group in 2014/15 to bolster our balance sheet in the current market.

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

As always I wish to thank all DSB shareholders for your support. Mining services as a sector has been unnecessarily savaged by investors during the year. We believe sentiment and our corporate valuation will improve with our return to profitability. We look forward to reporting on further positive progress as the FY16 year unfolds.

A handwritten signature in black ink, appearing to read 'Gordon Galt'.

Gordon Galt
Chairman
Delta SBD Limited

Managing Director and Chief Executive Officer's Report

The 2014/15 year was a very difficult year for Delta SBD Ltd (the Group) due to the market conditions being experienced in the resource sector, and particularly in the coal industry. Key operating and financial highlights are listed below:

2015 operating highlights

- Safety performance continues in the best quartile for the sector, with total recordable injury frequency rate decreasing by a further 22% over the past twelve months to 10 (1,000,000 hours basis), while proactive safety measures remained on target with one leading initiative performed for every 9.8 hours worked;
- Man-hours worked increased by 12%;
- Introduction of a new national enterprise agreement;
- New contracts awarded, including:
 - Inbye and outbye mine services at South32's Appin mine (2 year term, commenced September 2014)
 - Supplementary labour at South32's Appin and West Cliff mines (2 year term, commenced September 2014)
 - Longwall relocations at Glencore's Ulan West mine, Ulan #3 and South Blakefield mines, Whitehaven's Narrabri mine and Peabody's Wambo mine;
 - Development assistance at Whitehaven's Narrabri mine;
 - Conveyor installations at Illawarra region mine and BMA's Crinum mine;
- Maintained the majority of existing long-term ongoing and recurring work contracts, including the extension of the following contracts:
 - Expansion of South32's Appin mine (roadway development and excavation / civil works)
 - Boral's Berrima mine under care and maintenance,
 - Outbye services for Peabody's Metropolitan mine.

2015 financial summary

- Underlying NPAT positive at \$0.88 million (2014: loss \$1.37 million)
- Revenue largely maintained at \$67.47 million (2014: \$69.35 million)
- Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 62% to \$3.45 million (2014: \$2.13 million)
- Underlying EBITDA margin increased to 5.1% (2014: 3.1%)
- Net debt (interest bearing debt less cash equivalents) reduced to \$2.4 million (2014 \$15.14 million).
- Cash, cash equivalents and non-current security deposits on hand at the end of the year totaling \$3.12 million (2014: \$1.56 million)
- Underlying Earnings per Share (EPS) of 1.84c (2014: -2.89c)
- Directors have not declared a final dividend.

Detailed analysis of operations

Delta SBD Group is one of Australia's largest underground coal mine contracting companies. We combine our depth of skill and experience with a substantial range of equipment to provide outstanding services to our client base, which includes most of the major coal mining companies in Australia.

The health and safety of our employees is a core value of the business, and in 2014/15 we again improved our overall safety performance with a further 22% decrease in the total recordable injury frequency rate. This result confirms the continuing evolution of our safety culture from one of compliance to one of commitment, with all employees having worked extremely hard to achieve this splendid result. Our leading safety indicators remained on target with one leading initiative performed for every 9.8 hours worked. The Group's safety performance remained within the top quartile of safety performance by the sector.

Managing Director and Chief Executive Officer's Report (continued)

During the period continuing and re-occurring work for the Group included:

- South32's Appin mine - roadway development (two units), secondary support, drill and blast, outbye services, conveyor installations and supplementary labour supply;
- Peabody's Metropolitan mine - secondary support and outbye services;
- Peabody's Wambo mine – two longwall moves
- Glencore's Ulan West, Ulan #3 and Blakefield mines - longwall moves
- Whitehaven's Narrabri mine – longwall move;
- BMA's Crinum mine - conveyor installations;
- Boral's Berrima mine - whole of mine operations (care and maintenance, closure activities)

During the 2014/15 period the Group took the view that the coal sector slowdown would continue for some time, with strongly increased supply overpowering more subdued, albeit steadily growing, demand. The Group's response was to develop and offer reduced cost structures to our clients to provide them with low cost, flexible and potentially more productive out-sourcing solutions. The success of this strategy is reflected in continuing work at existing contracts and the award of a number of new contracts, with some having already commenced, and some scheduled to commence in FY2016.

Looking ahead, the Group's current workbook (excluding non-contracted recurring work) for the next two years remains positive at \$73 million, with the FY16 portion of this workbook at \$50 million.

Activity in our tender/submission pipeline is encouraging with over \$1 billion in active enquiries. We anticipate that these could provide us with between \$30 million and \$135 million in potential revenue outcomes in FY16 and FY17. A number of these are remnant reserve mining opportunities, where we consider we have a unique offering and a reasonable likelihood of success. The Group has also been short listed for the Adani Carmichael Project.



Stephen Bizzaca
Managing Director and Chief Executive Officer

Directors' Report

Your Directors herein present their report on the consolidated entity (referred to hereafter as the Group) consisting of Delta SBD Ltd (referred to hereafter as the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2015.

The report has been divided into four sections as follows:

- A. General Information
- B. Principal activities and review of operations
- C. Remuneration Report
- D. Other Information

A. General Information

Directors

The directors of the Company at any time during the financial year were, and until the date of this report are:

Non-Executive Chairman
Gordon Galt

Managing Director
Stephen Bizzaca

Non-Executive Directors
Glyn Dawkins
Geoff Garside

The qualifications, experience, other directorships and special responsibilities of the directors in office at the date of this report are:

Gordon Thomas Galt

Independent Chair
BEng Mining (Hons),
BComm, Grad Dip
Applied Finance,
MAusIMM, MAICD
Director and Chairman
since 8 October 2007

Experience and expertise:

Gordon has worked in the resources and finance industries for more than 40 years.

He has extensive technical, operational, project management and senior managerial experience in the Australian mining industry, primarily in coal and gold. He was Managing Director at Cumnock Coal and Newcrest Mining and later moved to financial services at ABN AMRO Bank where he focused on the mining, energy and chemical sectors.

Other current Directorships:

Non-Executive Director of the following ASX listed companies:

- US Masters Holdings Ltd (2010 – present)
- NuCoal Resources Limited (2010 – present)
- Finders Resources Ltd (2013 – present)

Principal and Director of Taurus Funds Management Pty Ltd

Former Directorships in the last three years:

- Aquila Resources Ltd
- Discovery Metals Ltd

Committees:

- Member of the Risk Committee
- Member of the Remuneration Committee
- Member of the Audit and Compliance Committee (Chair position held August 2014 to May 2015)

Stephen John Bizzaca

Managing Director and
Chief Executive Officer
BAppSc
Director since 8 October
2007

Experience and expertise:

Stephen is an electrical engineer with more than 35 years' experience in the coal and metalliferous mining industries. Stephen has extensive experience in project management and operational management in mining and engineering. He has extensive knowledge of the Australian Coal Industry.

Directors' Report (continued)

Stephen was responsible for the purchase and commissioning of Queensland's first modern longwall at Central Colliery in 1985 and subsequently was the Project Director for the design and development of the Southern Colliery Project in 1988. In 1989 he became Project and Operations Manager for TiWest Ltd and later Project Manager for feasibility studies leading to Newcrest's Telfer expansion.

Stephen founded the SBD business in 1995 and has led its growth since then including the merger with Delta Mining to form Delta SBD in 2007. Stephen has a Bachelor of Applied Science (Electronic Engineering) from Curtin University (formerly Western Australian Institute of Technology).

Other current Directorships:
None.

Glyn Dawkins

Non-Executive Director
Mechanical Engineering
Certificate (AMEME
Hons), Mine Mechanical
Engineers Certificate of
Competency in UK and
NSW, MAICD
Non-Executive Director
since July 2010

Experience and expertise:

Glyn has more than 40 years' experience in the underground coal industry, beginning his career at Six Bells Colliery in Wales, UK in 1964. He immigrated to Australia in 1978 and worked at Appin Colliery as Assistant Mechanical Engineer. He became Mechanical Engineer in Charge at Appin Colliery in 1980 and remained in that role until 1997 when he joined Aklynd Engineering.

Glyn founded the Delta Mining business in 1998 and has remained a Director throughout the merger with SBD Services. Glyn has an Honors Certificate in Mining Mechanical Engineering from the Association of Mining Electrical and Mechanical Engineers, UK and a Mine Mechanical Engineers Certificate of Competency in the UK and NSW. Glyn is a member of the Australian Institute of Company Directors.

Other current Directorships:
None.

Committees:

- Chair of the Risk Committee
- Chair of the Remuneration Committee
- Member of the Audit and Compliance Committee

Geoff Garside

Non-Executive Director
FCPA, FAICD
Non-Executive Director
since 5 May 2011

Experience and expertise:

Geoff has worked in the manufacturing, health care, corporate advisory and financial services industries for more than 40 years. He continues to be principal and corporate advisor to several financial services companies and manufacturing entities. Geoff is a Fellow of the Australian Institute of Company Directors and CPA Australia.

Geoff held the interim Finance Director and Company Secretary roles from 16 June 2014 until end April 2015.

Other current Directorships:
None.

Committees:

- Chair of the Audit and Compliance Committee (Member position held August 2014 to May 2015 whilst performing the role of Interim Finance Director)
- Member of the Risk Committee
- Member of the Remuneration Committee

Directors' Report (continued)

Company Secretary

Megan Etccl – B.Com, CA, MAICD.

Megan was appointed to the role of Chief Financial Officer and Company Secretary of the Company in April 2015. She holds a Bachelor of Commerce with majors in Financial Accounting, Management Accounting and Finance and is a qualified Chartered Accountant.

Directors' Meetings

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

Director	Board Committee Meetings							
	Board Meetings *		Audit & Compliance Committee Meetings		Remuneration Committee Meetings		Risk Committee Meetings	
	A	B	A	B	A	B	A	B
Gordon Galt	7	7	3	3	2	2	2	2
Stephen Bizzaca [#]	7	7	**	3	**	2	**	2
Glyn Dawkins	7	7	3	3	2	2	2	2
Geoff Garside	7	7	3	3	2	2	2	2

A Number of meetings held during the time the Director held office or was a member of the committee during the period.

B Number of meetings attended.

***** The Company does not have a fully constituted Nominations Committee, however, as and when required the full Board participates as the Nominations Committee in order to fulfill its corporate governance responsibilities.

****** Not a member of the relevant committee.

S Bizzaca is not a member of any Committee; however his attendance at Committee meetings is by invitation.

Committee membership

As at the date of this report, the Board had an Audit & Compliance Committee, a Risk Committee and a Remuneration Committee. Members acting on the committees of the Board as at the date of this report are:

	Audit and Compliance Committee	Risk Committee	Remuneration Committee
Chairman	Geoff Garside	Glyn Dawkins	Glyn Dawkins
Members	Glyn Dawkins Gordon Galt	Geoff Garside Gordon Galt	Geoff Garside Gordon Galt

Directors' Report (continued)

B. Principal activities and review of operations

Principal Activities

The Group is one of the largest contract companies servicing the Australian underground coal mining industry and its objective is to provide value-add services to clients by forging profitable long term partnerships.

The principal activities of the Group during the course of the financial year were the provision of contract mine services which included total mine operation, roadway development, longwall relocation, board and pillar extraction, conveyor installations, total mine care and maintenance, equipment rental, mining products and a number of other specialised mine services. The Group provides each project/mine with competent work teams, fit for purpose equipment and excellent site management backed by a supportive corporate management team. The Group uses safe and efficient work methods that enable on time completion of all works and services within required timeframes.

During the period the Group continued to investigate and develop innovating mining solutions, particularly regarding remnant mining opportunities. This resulted in the obtaining an Innovation Patent for highwall mining applications.

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

Review of Operations

The Group provides mining services in the Illawarra, Hunter Valley, Gunnedah, the Western regions of NSW, and the Bowen Basin in Queensland. Our clients are blue-chip mining and resource companies, including Anglo Coal, BHP Billiton, BMA, Boral, Caterpillar Global Mining, Centennial, Glencore, Peabody, South32, Vale and Whitehaven. The Group prides itself on its long term relationships, with a number of clients having been with the Group for more than ten years.

The Group recorded a profit from ordinary activities for the year ended 30 June 2015 of \$0.76 million compared to a loss of \$42.82 million in 2014.

Net cash inflows from operating, investing and financing activities were \$1.55 million compared to net cash outflows of \$4.37 million in 2014.

The net asset position of the Group at 30 June 2015 was \$17.10 million (30 June 2014: \$16.30 million) while net debt (interest bearing debt less cash equivalents) of the Group was reduced to \$2.40 million (30 June 2014: \$15.14 million).

Key operating highlights of FY2015 are outlined below:

- Safety performance continues in the best quartile, with total recordable injury frequency rate decreasing by a further 22% over the past twelve months to 10 (1,000,000 hours basis). Proactive safety measures remained on target with one leading initiative performed for every 9.8 hours worked;
- Man-hours worked increased by 12%;
- Introduction of a new national enterprise agreement;
- New contracts awarded, including:
 - Inbye and outbye mine services at South32's Appin mine (2 year term, commenced September 2014)
 - Supplementary labour at South32's Appin and West Cliff mines (2 year term, commenced September 2014)
 - Longwall relocations at Glencore's Ulan West mine, Ulan #3 and South Bakefield mines, Whitehaven's Narrabri mine and Peabody's Wambo mines;
 - Development assistance at Whitehaven's Narrabri mine;
 - Conveyor installations at Illawarra region mine and BMA's Crinum mine; and

Directors' Report (continued)

- Maintained the majority of existing long-term ongoing and recurring work contracts, including the extension of the following contracts;
 - Expansion of South32's Appin mine (roadway development and excavation / civil works)
 - Boral's Berrima mine under care and maintenance, transiting to closure, and
 - Outbye services for Peabody's Metropolitan mine.

With up to 389 personnel (full time equivalent), the Group is proud of its workforce and its focus on their safety and welfare. Improved safety performance confirms the evolution in the Group's safety culture from one of compliance to one of commitment.

The Group continues to be the premier Australian contractor for longwall moves in particular. The Group has now completed over 118 longwall projects, including one international (India) for clients over the past 15 years with five of these occurring within FY15.

Business Strategy

The Group's business strategy is based on people, plant and products.

- **People** – have a competent workforce
- **Plant** – utilise fit for purpose plant and equipment to provide a safe and competitive advantage
- **Products** – utilise and distribute products that maintain safety and low costs.

Key aspects of the business strategy include:

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

Outlook

The Group is well positioned for both the current market situation and future market upturn, as such circumstances arise. This is clearly reflected in continuing work at existing contracts and the award of a number of new contracts, with some having already commenced, and some scheduled to commence in FY16.

Looking ahead, the Group's workbook (excluding non-contracted recurring work) for the next two years remains positive at \$73 million, with the FY16 portion of this workbook at \$50 million.

Activity in our tender/submission pipeline is encouraging with over \$1 billion in active enquiries. We anticipate that these could provide us with between \$30 million and \$135 million in potential revenue outcomes in FY16 and FY17. A number of these are remnant reserve mining opportunities, where we consider we have a unique offering and a reasonable likelihood of success. The Group has also been short listed for the Adani Carmichael Project.

Directors' Report (continued)

Financial Review - Statutory Profit / (Loss)

A summary of the operating results is as follows:

	2015 \$'000	2014 \$'000	Up/down	Movement %
Statutory				
Revenue from ordinary activities	67,479	69,346	down	(3%)
EBITDA	3,417	(29)	up	>500%
Profit/(loss) from ordinary activities after tax attributable to members (including significant items)	758	(42,826)	up	102%
Earnings per share (cents)	1.59	(90.41)	up	101%
Underlying*				
Revenue from ordinary activities	67,479	69,346	down	(3%)
EBITDA	3,457	2,129	up	62%
Underlying profit/(loss) from ordinary activities after tax attributable to members	878	(1,369)	up	164%
Underlying earnings per share (cents)	1.84	(2.89)	up	163%

* adjusted underlying profit/(loss) has been presented to assist in the assessment of the relative performance of the Group.

Dividends – Delta SBD Limited

No dividends were paid to members during the financial year ended 30 June 2015 (2014: nil). No dividend is recommended in respect of the financial year ended 30 June 2015.

Significant Changes in the State of Affairs

Other than those matters listed in this report, there have been no significant changes in the state of affairs of the Group during the period.

Matters subsequent to the end of the financial year

Other than outlined in this report, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Group in the future financial years.

Likely developments and expected results of operations

Other than as referred to in this report, further information as to likely developments in the operations of the Group and the expected results of those operations would, in the opinion of the directors, be speculative.

Directors' Report (continued)

C. Remuneration Report (Audited)

The audited remuneration report for the year ended 30 June 2015 outlines the remuneration arrangements of the Group in accordance with section 300A of the *Corporations Act 2001* (Cth) and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

The remuneration report details the remuneration arrangements for the Group's key management personnel (KMP) during the financial year ended 30 June 2015.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group and other designated senior executives. KMP comprise the Managing Director (MD), his direct management reports (collectively the executive KMP) and the Non-executive Directors of the Company.

The remuneration report is set out under the following main headings:

- (a) Role of the Remuneration Committee
- (b) Principles used to determine the nature and amount of remuneration
- (c) Details of remuneration
- (d) Service agreements
- (e) Additional disclosures relating to options and shares
- (f) Related party transactions

(a) Role of the Remuneration Committee

The Board has established a Remuneration Committee to focus on appropriate procedures and guidelines in relation to the remuneration of the Managing Director, other executive KMP and Non-executive Directors.

The Remuneration Committee is responsible for reviewing and making recommendations to the Board for:

- the remuneration structure of the Group;
- remuneration arrangements for the Managing Director and other executive KMP;
- the terms and conditions of long-term incentives and short-term incentives for the Managing Director and other executive KMP (including setting short-term incentives); and
- remuneration of Non-executive Directors.

The objective is to ensure that the remuneration policies and structures adopted by the Group are fair and competitive and aligned with the long-term interests of the Group. In doing this, the Remuneration Committee may seek advice from independent expert remuneration consultants where applicable.

(b) Principles used to determine the nature and amount of remuneration

The Group's remuneration guiding principle is to align remuneration with the creation of value for shareholders by attracting and retaining appropriately qualified and experienced employees who contribute to the Group's success, and motivating them to achieve outstanding performance against the Group's business objectives. This guiding principle applies to all employees, including Non-executive Directors and executive KMP.

The Group aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive.

Executive remuneration packages include a balance between fixed and incentive pay, reflecting short and long term performance objectives which align with the Company's circumstances and objectives. Non-executive Directors are remunerated by way of fees and long term incentives, but they do not receive retirement benefits.

Directors' Report – remuneration report (continued)

Use of remuneration consultants

During the 2015 financial year no remuneration experts were engaged by the Remuneration Committee; however the Committee did rely on external independent remuneration survey data.

Remuneration approval at FY2014 Annual General Meeting

The FY2014 remuneration report received positive shareholder approval at the 2014 year Annual General Meeting with a vote of 99% in favour.

Non-executive Director Remuneration

Fees paid to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Chair's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market. Fees paid to Non-executive Directors are reviewed annually.

Non-executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The current maximum aggregate remuneration of Non-executive Directors, approved by shareholders at the 2012 Annual General Meeting; is \$450,000 excluding the fair value of any options and share rights granted.

The annual fee levels in 2015 (with comparative data for 2014) were as follows:

	From 1 July 2014 (\$)	From 1 November 2013 [#] (\$)	From 1 July 2013 (\$)
Position			
Chairman*	85,000	85,000	87,200
Other Non-executive Directors	55,250	55,250	43,600
Committee fees			
Committee chairman	5,100	5,100	7,000
Committee member	2,550	2,550	3,500

* The Chairman receives no further payments in respect of Committee positions held.

Directors voluntarily reduced their fees by 15% from 1 November 2013.

If Directors provide any other services as requested by the Chairman or Chief Executive Officer they are entitled to additional payment of up to \$1,700 per day, depending on the scope of work, as approved by the Chairman. All payments are inclusive of superannuation payments required under law. Directors are entitled to be reimbursed for all business expenses, including travel on Group business, be incurred in the discharge of their duties.

Executive KMP remuneration policy and overview of incentive plans

The executive pay and reward framework for Executive KMP has three components:

- (i) fixed remuneration, including superannuation (TFR);
- (ii) short-term performance incentive; and
- (iii) retention and long-term incentive.

The amount and relative proportion of TFR, short term performance incentive and long term incentive is established for each executive KMP following consideration by the Remuneration Committee of market levels of remuneration for comparable senior executive roles. The Remuneration Committee then makes recommendations to the Board.

Directors' Report – remuneration report (continued)

(i) *Total fixed remuneration (TFR)*

The purpose of TFR is to provide a base level of remuneration which is market-competitive and appropriate. TFR includes base pay, any relevant allowances, other non-monetary benefits, including the use of company supplied motor vehicle and statutory superannuation contributions. Executive contracts of employment do not include guaranteed base pay increases and are reviewed annually by the Remuneration Committee.

The Remuneration Committee analyses market surveys and internal feedback in respect of current market conditions to make sure remuneration is competitive and reflects the market for comparable roles, wherever comparisons to similar roles within relevant market sectors can be made.

The TFR is determined using a number of factors, including skills displayed, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and executive KMP are on a continuing employment basis (not fixed term). The terms and conditions of these contracts are not expected to change in the immediate future.

(ii) *Short-term performance incentive*

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

- focus key employees on achieving key Company and business unit targets as well as making individual contributions that the Board believes will lead to sustained and improved business performance;
- establish a variable remuneration arrangement that links performance with reward and recognises superior performance, if achieved; and
- clear and focused performance targets are important to both the Group and its key employees.

The incentive offered under the STIP will vary depending upon relative performance against Board approved targets which measure the Group's business unit and the individual's performances. The current STIP is based on financial, health, safety and environmental metrics.

The financial metrics include performance measures so that incentives are influenced by circumstances where the financial performance of the Company and/or business unit is below expectations. Conversely, the available incentive increases in line with the performance of the Company and/or business unit and the commensurate increase in shareholder value.

The STIP measures for the executive KMP are drafted annually by the Managing Director and presented to the Remuneration Committee for consideration, adjustment and recommended for approval by the Board. The STIP measures for the Managing Director are set by the Remuneration Committee annually and approved by the Board. STIP measures for other executive KMP are set by the Managing Director.

The performance evaluation for the year ended 30 June 2015 has taken place in accordance with this process.

(iii) *Retention and long term incentive*

Performance-linked equity plans are widely considered to be a very effective means of providing incentives to attract and retain staff while aligning potential incentive outcomes with the interests of shareholders.

The Group's Long Term Incentive Plan (LTIP) is in place to recognise the commitment and efforts of eligible employees and seeks to achieve the following objectives:

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

Directors' Report – remuneration report (continued)

The LTIP offers eligible employees' shares in the Company based on a set percentage value of their current total remuneration. Long-term incentives are provided to eligible employees via participation in the Company's Employee Share Plan (ESP) and shares are awarded to employees only when relevant criteria attaching to an incentive is achieved.

(c) Details of remuneration

Details of the remuneration paid to Directors of the Company and executive KMP of the Group (as defined in *AASB 124 Related Party Disclosures*) are set out below.

The key management personnel of the Group are the Directors of Delta SBD Ltd and those executives that report directly to the Managing Director, as noted below.

Name	Title
David Roach	General Manager, HSC&E
Jim Richardson	General Manager, NSW North
Megan Etccl	Chief Financial Officer and Company Secretary
Neil Marvell	General Manager, NSW South

There have been no changes since the end of the reporting period.

Directors' Report – remuneration report (continued)

Key management personnel remuneration

Details of the nature and amount of each element of remuneration received by the Directors and executive KMP of the Group for the current and previous financial years are set out below.

Name	Year	Short Term					Post-Employment	Long Term		Termination Benefits	Total	Proportion of remuneration performance related
		Salary	Directors fees	Committee fees	Nonmonetary benefits	Short Term Incentive Cash Bonus	Superannuation benefits	Long Term Incentive Shares Bonus ⁽¹⁾	Long Service Leave			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors												
G. Galt	2015	-	85,000	-	-	-	-	-	-	-	85,000	-
	2014	-	90,000	-	-	-	-	-	-	-	90,000	-
G. Garside ⁽²⁾	2015	195,600	55,250	10,200	-	-	13,463	-	-	-	274,513	-
	2014	11,799	58,500	10,800	-	-	-	-	-	-	81,099	-
G. Dawkins	2015	11,900	55,250	12,750	3,707	-	-	-	-	-	83,607	-
	2014	9,350	58,500	13,500	6,414	-	-	-	-	-	87,764	-
Executive Director												
S. Bizzaca	2015	265,141	-	-	62,406	57,512	25,188	-	7,952	-	418,199	13%
	2014	310,708	-	-	61,941	20,298	29,246	-	-	-	422,193	4%
Other executive KMP												
D. Roach	2015	222,560	-	-	19,503	18,031	21,143	-	5,136	-	286,373	6%
	2014	222,560	-	-	19,357	18,031	20,587	-	5,136	-	285,671	6%
J. Richardson	2015	285,260	-	-	13,137	24,251	27,100	29,516	6,583	-	385,847	6%
	2014	285,260	-	-	8,476	24,964	26,386	29,718	6,583	-	381,387	7%
M. Etccl ⁽³⁾	2015	28,800	-	-	-	-	-	-	-	-	28,800	-
	2014	-	-	-	-	-	-	-	-	-	-	-
N. Marvell	2015	262,440	-	-	-	29,531	24,931	24,512	7,086	-	348,500	9%
	2014	262,440	-	-	-	15,750	24,276	24,679	7,086	-	334,231	5%
A McFadden ⁽⁴⁾	2015	79,593	-	-	3,541	-	6,756	-	2,008	-	101,288	-
	2014	271,290	-	-	7,289	19,421	25,152	-	7,342	67,980	399,104	4%
G. Janson ⁽⁵⁾	2015	-	-	-	-	-	-	-	-	-	-	-
	2014	191,108	-	-	-	-	16,552	-	4,831	61,215	273,706	-
T Jackson	2015	240,315	-	-	25,249	-	19,929	-	-	-	285,494	-
	2014	303,060	-	-	13,784	13,543	27,981	54,833	6,981	75,625	495,808	3%
Total	2015	1,591,609	195,500	22,950	127,543	129,325	138,510	54,028	28,765	-	2,288,230	6%
	2014	1,867,575	207,000	24,300	117,261	112,007	170,180	109,230	37,959	204,820	2,850,332	4%

(1) The comparative period has been restated to include the expensing of share rights under the Long Term Incentive Plan.

(2) G Garside held the role of Interim Finance Director and Company Secretary from 16 June 2014 until end April 2015.

(3) M Etccl commenced in a part time capacity in April 2015.

(4) A McFadden was made redundant 24 September 2014 and received a refund of \$98,846 relating to Long Service Leave reimbursement from the Coal Mines Coal Service Fund.

(5) G Janson was made redundant 14 March 2014, and received a refund of \$73,457 relating to Long Service Leave reimbursement from the Coal Mines Coal Service Fund.

Directors' Report – remuneration report (continued)

Analysis of bonuses included in remuneration

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

Name	Short Term incentive bonus		
	Included in remuneration (A)	vested in year	forfeited in year (B)
	(\$)	%	%
Mr S Bizzaca	57,512	34%	66%
Mr D Roach	18,031	32%	68%
Mr J Richardson	24,251	34%	66%
Mr N Marvell	29,531	45%	55%

A amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of safety, financial and personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2015 financial year; and

B the amounts forfeited are due to the performance or service criteria not met in relation to the current financial year.

(d) Service Agreements

On appointment to the Board, all Non-executive Directors enter into a service agreement with the Company in the form of a letter of appointment. Remuneration arrangements for the Managing Director and other executive KMP are formalised in employment agreements. Contracts with the Managing Director and other executive KMP may be terminated by providing three month's written notice, or immediately in the case of gross misconduct.

Name	Term of agreement
David Roach	Full Time. Ongoing commencing 7 June 2010.
Jim Richardson	Full Time. Ongoing commencing 28 August 2007.
Megan Etccl	Part Time. Ongoing commencing 9 April 2015.
Neil Marvell	Full Time. Ongoing commencing 4 August 2005.

(e) Additional disclosures relating to options and shares

The Employee Share Plan (ESP) is the Company's Long-Term Incentive (LTI) scheme for Directors (Executive and Non-executive), other executive KMP and other persons as nominated by the Board. The Managing Director recommends eligible employees who are entitled to participate in the scheme and seeks recommendation of the Remuneration Committee for approval by the Board.

Under the ESP, eligible participants may be granted shares on terms and conditions determined by the Board and as documented in the Employee Share Handbook. Shares granted to participants are to be held in Trust until vesting conditions attached to the shares are satisfied. When vesting conditions are satisfied, the shares are exercised and delivered from the Trust to the eligible participant at nil cost.

The terms and conditions of shares granted affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Vesting conditions *	Exercise price	Fair value per share
1 July 2010	1 July 2013	\$0.00	\$0.7489
1 July 2010	1 July 2015	\$0.00	\$0.7489

* vesting conditions are met if a participant is employed by the Group on vesting date.

Directors' Report – remuneration report (continued)

The terms and conditions of options affecting the remuneration in the current or a future reporting period are as follows:

Party	Number of options and shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
G Galt Non Executive Director (options held beneficially by New Holland Capital)	2,500,000 exercisable over 2,500,000 ordinary shares	\$1.00	From Quotation Date until the Expiry Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015

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

Option holdings and shares held by key management personnel*

	Held at 1 July 2014	Granted as remuneration	Exercised during the year	Disposed / forfeited / expired	Other Changes	Held at 30 June 2015
Option holdings						
Non-Executive Directors						
G Galt	2,500,000	-	-	-	-	2,500,000
G. Garside	312,500	-	-	(312,500)	-	-
Total	2,812,500	-	-	(312,500)	-	2,500,000
Shares held in Delta SBD Ltd						
Non-Executive Directors						
G. Galt	70,761	-	-	-	2,671	73,432
G. Garside	-	-	-	-	-	-
G. Dawkins	12,889,303	-	-	-	-	12,889,303
Executive Director						
S Bizzaca	17,124,503	-	-	-	-	17,124,503
Other executive KMP						
D. Roach	-	-	-	-	-	-
J. Richardson	474,971	-	-	-	-	474,971
M. Etccl ⁽¹⁾	-	-	-	-	-	-
N. Marvell	521,215	-	-	-	-	521,215
A. McFadden ⁽²⁾	664,810	-	-	-	-	664,810
T. Jackson	442,731	-	-	-	-	442,731
G. Janson ⁽³⁾	179,207	-	-	-	-	179,207
Total	32,367,501	-	-	-	2,671	32,370,172

* includes shares and options held directly, indirectly and beneficially by key management personnel.

(1) M Etccl commenced in a part time capacity in April 2015.

(2) A McFadden was redundant 24 September 2014. The balance at 30 June 2015 represents his holding on redundancy.

(3) G Janson was redundant 14 March 2014. The balance at 30 June 2015 represents his holding on redundancy.

Directors' Report – remuneration report (continued)

(f) Other related party transactions

Loans outstanding from key management personnel and their related parties at year end are as follows:

	2015	2014
	\$	\$
Dawkins Enterprises Pty Ltd ⁽¹⁾	289,982	289,982
Titanwood Holdings Pty Ltd ⁽²⁾	338,344	338,344
Titanwood Holdings Pty Ltd ⁽³⁾	-	650,000
	628,326	1,278,326

- (1) Interest bearing loan from Dawkins Enterprises Pty Ltd is to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Glyn Dawkins.
- (2) Interest bearing loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca.
- (3) Interest bearing secured loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca. The loan was entered into on 6 June 2014 for \$650,000; to be repaid over a period of 4 years. The loan was repaid in full in September 2014.

Interest payments on loans from key management personnel and their related parties were as follows:

	2015	2014
	\$	\$
Dawkins Enterprises Pty Ltd ⁽¹⁾	28,128	30,424
Titanwood Holdings Pty Ltd ⁽²⁾	32,815	37,001
Titanwood Holdings Pty Ltd ⁽³⁾	17,369	5,633
	78,312	73,058

- (1) Interest paid to Dawkins Enterprises on working capital loan disclosed above. The interest rate is 9.70% fixed which is based on "market conditions – secured" loan of this nature. Interest is paid monthly.
- (2) Interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 9.70% fixed which is based on "market conditions – secured" loan of this nature. Interest is paid monthly.
- (3) Interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 13.00% fixed which is based on "market conditions – secured" loan of this nature. Interest is paid monthly. The loan was repaid in full in September 2014.

End of audited Remuneration Report.

Directors' Report (continued)

D. Other Information

Environmental regulation

Other than operations undertaken as part of contracts of work with clients, the Group is not directly subject to any specific environmental regulations under either Commonwealth or State legislation in relation to its activities.

The Group held the licence for the Berrima mine and there were no material breaches of any licence conditions during the year. This licence was transferred back to Boral on 30 June 2015.

The Group is committed to achieving a high standard of environmental performance. Management and staff are responsible for regular monitoring of environmental exposures and compliance with environmental regulations. All other operations are undertaken as part of works with clients.

Indemnification and insurance of Directors and Officers

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 (Cth) from liability to third parties, and in defending legal and administrative proceedings and applications for such proceedings, except where the liability arises out of conduct involving lack of good faith. .

The Company must use its best endeavours to insure a director or officer against liability which does not arise out of conduct constituting a willful breach of duty or a contravention of the Corporations Act 2001 (Cth). The Company must also use its best endeavours to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors, executive officers and secretaries. The Directors have not included details 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.

Indemnification of auditors

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding Amounts

The Company is of a kind referred to in *ASIC Class Order 98/100* and, in accordance with that Class Order, amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars unless otherwise stated.

Non-Audit Services

Details of the fees and charges for the provision of audit and non-audit services provided by the current audit firm, Ernst & Young, and previous audit firm, KPMG, are included in note 29 of the Financial Report.

Directors' Report (continued)

The Audit and Compliance Committee has developed a policy to ensure that the independence of the Company's auditor is not impaired by providing non-audit services to the Company so that both the Company and the external auditor can comply with relevant auditor independence rules which apply in the various jurisdictions in which the Group operates.

No officer of the Group who held office during the financial year, and no current officer, was formerly a partner of Ernst & Young.

The Board of Directors, in accordance with advice from the Audit and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001* (Cth). The directors are satisfied that these services did not compromise the external auditor's independence for the following reasons:

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

There were no non-audit services provided by Ernst & Young for the year ended 30 June 2015.

Auditor's Independence Declaration

The auditor's independence declaration, which forms part of the Directors' Report and required under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2015 has been received and can be found on page 23 of this combined report.

This Directors' Report is signed in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001* (Cth).

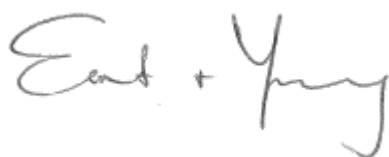
On behalf of the Directors



G Galt
Chairman
Sydney, 28 August 2015

Auditor's Independence Declaration to the Directors of Delta SBD Limited

In relation to our audit of the financial report of Delta SBD Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Scott Jarrett
Partner
Sydney
28 August 2015

1. Corporate Governance Statement

The Board of Directors of Delta SBD Ltd (Company or Delta) is responsible for establishing the corporate governance framework of the Company, having regard to the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations, 3rd Edition* (ASX Recommendations). The Board is committed to best practice corporate governance principles appropriate for the size, type and activity of the Company.

Various corporate governance practices are discussed within this statement. Details of the main policies of corporate governance adopted by the Company and referred to in this statement are available on the Company website www.deltasbd.com.au.

In accordance with *Listing Rule 4.10*, this Corporate Governance Statement discloses the extent to which the Company has followed the ASX Recommendations. Where a Recommendation has not been followed, the Company will disclose the reasons why the Recommendation has not been followed. Unless otherwise stated, the Company has adhered to the ASX Recommendations for the year ended 30 June 2015.

This Statement applies to Delta SBD Ltd (the Company) and all entities under its control, collectively referred to as the Group as at the date of this report.

Principle 1: Lay solid foundations for management and oversight

The Board is responsible for the overall corporate governance of the Company.

Functions of the Board and delegations to Management

The Board has adopted a formal *Board Charter*, which sets out the functions reserved to the Board. The *Board Charter* is available on the Company's website.

The Board's primary role is the protection and enhancement of long-term shareholder value. It guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

To fulfil this role, the Board, as set out in the *Board Charter*, is responsible for the overall corporate governance of the Group including:

- approving the Company's Corporate Strategy and monitoring its implementation;
- approving the appointment of the Managing Director;
- reviewing and monitoring systems of risk management and internal control, and ethical and legal compliance;
- approving major capital expenditure, acquisitions and divestitures; and
- monitoring and reviewing policies and processes aimed at ensuring the integrity of financial and other reporting.

The Board has delegated responsibility for the day-to-day operational, corporate and administrative activities of the Group to the Managing Director and executive management.

The Board is responsible for reviewing the role and responsibilities of management through various committees it has developed. Directors are entitled to request additional information, including external advice, at any time to enable them to discharge their duties effectively. Review of the *Board Charter* occurs annually.

Terms of Directors' appointment

Directors are appointed in accordance with the terms of the Company's constitution.

Before a director is appointed, or put forward to shareholders as a candidate for election, the Group will undertake appropriate checks. These checks may include, but are not limited to, checks on a person's character, experience, education, criminal record and bankruptcy history. The Group will also provide shareholders with relevant information about any Director standing for election or re-election.

Each Director has entered into a formal letter of appointment with the Company, which sets out core terms of the Director's responsibilities and obligations to the Company.

Corporate Governance Statement (continued)

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with proper functioning of the Board. The role of the Company Secretary is outlined in the *Board Charter*.

Diversity and Equal Opportunity

The Group is committed to workplace diversity and acknowledges the expectation to address gender diversity.

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

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

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

	30 June 2015		30 June 2014	
	Female	Male	Female	Male
	(%)	(%)	(%)	(%)
Board representation ⁽¹⁾	0%	100%	0%	100%
Key management personnel representation	25%	75%	0%	100%
Group representation	3%	97%	3%	97%

(1) There are no female directors, however the role of Company Secretary is held by a female.

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

Performance Evaluation – Board and Committees

The Board acknowledges the importance of regular review of its performance and the performance of its Committees against appropriate measures. The Board is committed to periodically reviewing the Board, its Committees and the Directors' performance and effectiveness.

No formal evaluation was conducted during the year; however the Board is considering utilising an independent consulting group to facilitate a formal board review.

Performance Evaluation – Executive KMP

The performance of the Managing Director is reviewed annually by the Board. The performance of other executive KMP is conducted regularly by the Managing Director during the year, with a formal process conducted once a year by the Remuneration Committee. The annual formal performance assessments occur in June each year.

Further details of how the Company assesses the performance of the Managing Director and other executive KMP are set out in the Remuneration Report.

Corporate Governance Statement (continued)

Principle 2: Structure the Board to add value

The Delta Board comprises the following Directors:

- Gordon Galt (Independent Chairman)
- Stephen Bizzaca (Managing Director)
- Geoff Garside (Independent Non-Executive Director)
- Glyn Dawkins (Non-Executive Director)

The size and composition of the Board is determined in accordance with the Company's constitution and Delta considers that its Board holds a diverse mix of skills appropriate for its size, type and activity.

The formal *Board Charter* requires that the Board comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. Board composition is reviewed annually to consider whether it has the appropriate mix of Directors with the expertise and experience suitable for the purpose of fulfilling its collective responsibilities on behalf of shareholders. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select candidates with the relevant qualifications, skills and experience.

Information about the skills, experience and expertise and period in office of each Director who served during the year ended 30 June 2015 is set out in the Directors' Report on pages 7 to 8.

Standing Board Committees

To assist in the discharge of its duties, the Board has established the following standing committees (Committees):

- Remuneration Committee (*ASX Recommendation 8.1*);
- Audit and Compliance Committee (*ASX Recommendation 4.1*); and
- Risk Committee.

The Company does not have a fully constituted Nominations Committee, recommended by *ASX Recommendation 2.1*, as the Board believes that establishing a separate Nominations Committee at this time would contribute little to the Company's effective governance. As and when required, the full Board participates as the Nominations Committee in order to fulfil its corporate governance responsibilities in regard to:

- Board appointments and performance;
- Directors' induction program;
- Committee membership; and
- Other relevant matters.

The Board will continue to review the appropriateness to establish a separate Nominations Committee.

Further information on each Committee is set out below and elsewhere in this Statement. Additional details in relation to the members of each Committee, as well as the number of times each Committee met during the 2014/2015 year and each member's attendance at those meetings are set out on page 9 of the Directors' Report.

Skills Matrix

The following skills matrix sets out the current mix of skills and diversity of the Board.

Skills and Experience (out of 4 Directors)			
Leadership & Governance	4	Finance and Risk	2
Operations	3	People	4
Sector Experience	4	Technology	2
Geographic Experience	4		

Corporate Governance Statement (continued)

Board Independence

The Board has adopted the definition of independence as set out in the *ASX Principles and Recommendations*. Having regard to the definition, the Board considers a Director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which would, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement. The Board assesses the materiality of any given relationship that may affect independence on a case-by-case basis. Each Non-executive Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interest in contracts and other directorships and offices held.

During the 2014/2015 year the Company had a majority of independent Directors and therefore complied with *ASX Recommendation 2.4*.

Role of Chairman and Managing Director

The roles of the Chairman and Managing Director are exercised by separate individuals (*ASX Recommendation 2.5*).

The Chairman, Gordon Galt, is responsible for leading the Board. His role includes ensuring the efficient organisation of the Board's functions, facilitating effective contribution by all Directors and promotion of constructive relations between the Board and management. The Chairman's role also includes ensuring that the Board is provided with all information related to the Company's operation and strategies to assist in the discharge of the Board's duties, reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board.

The Managing Director, Stephen Bizzaca, is responsible to the Board for the discharge of the management function and the implementation of corporate objectives determined by the Board.

Board induction and training

The Group has a program for inducting new directors and provides resources to directors to help develop and maintain the appropriate skills and knowledge needed to perform their role effectively.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

Delta has adopted a *Corporate Code of Conduct* to guide Directors, executive KMP, management and employees in carrying out their duties and responsibilities. The *Corporate Code of Conduct* sets out the principles and standards which the Board, management and employees of the Company are expected to adopt when dealing with each other, shareholders and the community as a whole.

In addition, the *Corporate Code of Conduct* specifically addresses conflicts of interest, business gifts and entertainment, improper use of the Company's property and assets, dealing with Government officials, political activities and reporting unlawful and unethical behaviour. The *Corporate Code of Conduct* is available on the Company's website.

Principle 4: Safeguard integrity in financial statements

The Board has ultimate responsibility for ensuring the integrity of the Company's financial reporting. To assist in discharging its responsibility, the Board has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

Audit and Compliance Committee

The Board has established an Audit and Compliance Committee (Audit Committee). The Audit Committee has a formal charter, which is available on the Company's website.

Corporate Governance Statement (continued)

The Audit Committee comprises the following Non-executive Directors:

- Geoff Garside (Chairman) – independent
- Glyn Dawkins – not independent
- Gordon Galt – independent

As the Audit Committee is chaired by an independent Non-executive Director; and the majority of the Audit Committee members are independent the Company adheres to *ASX Recommendation 4.1*.

The relevant qualifications and experience of the members of the Audit Committee are disclosed on page 7 to 8 of the Director's Report.

The Audit Committee meets as required, but at least twice per year. The Managing Director, Chief Financial Officer and the Company's external auditors are invited to attend the Audit Committee meetings.

Assurance by the Managing Director and Chief Financial Officer

The Board receives assurances from the Managing Director and Chief Financial Officer that any declaration as to the financial records and statements made pursuant to section 295A of the *Corporations Act 2001* (Cth) has been founded on a sound systems of risk management and internal compliance and controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

Auditor

The Board and the Audit Committee also, to a certain extent, rely on the auditors (Ernst & Young) to ensure compliance with relevant accounting standards, and give full co-operation to its auditors without absolving itself of responsibility. Where appropriate, the Board and the Audit Committee engage independent experts or professional advisors to assist with the identification and/or management of any key risk areas identified. The external auditor attends the AGM and is available to answer questions in relation to the conduct of the audit.

Principle 5: Make timely and balanced disclosures

Continuous disclosure

Delta has adopted a *Continuous Disclosure Policy*, a copy of which is available on the Company's website.

The *Continuous Disclosure Policy* sets out the Company's commitment to continuous disclosure and establishes a best practice procedure relating to compliance with continuous disclosure obligations.

Delta is committed to providing up to date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the *ASX Listing Rules* and the *Corporations Act 2001* (Cth).

The Company Secretary is primarily responsible for the management of the *Continuous Disclosure Policy* and for all communications with the ASX in relation to continuous disclosure issues. However, no announcements are made to the ASX without the prior approval of the Chairman or the Managing Director (or his delegate).

Principle 6: Respect the rights of security holders

Shareholder Communications

Delta has adopted a *Shareholder Communications Policy* and *Privacy Policy*, copies of which are available on the Company's website.

Delta aims to ensure that its shareholders, on behalf of whom the Boards acts, are informed of all information necessary to assess the performance of the Directors and the Company.

Corporate Governance Statement (continued)

Information is communicated to shareholders and the market through:

- The Annual Report;
- Other periodic reports (Half Year Reports), which are lodged through the ASX and are available for shareholder scrutiny;
- Other announcements made in accordance with the ASX Listing Rules;
- Special purpose information memoranda issued to shareholders, as appropriate;
- The Annual General Meeting and other meetings, as appropriate; and
- The Company's website.

The Group is committed to minimising its impact on the environment, and for this reason encourages shareholders to receive communication from and send communications to, the Group and its share registry, electronically. Communicating with shareholders by electronic means, particularly through the Group's website, is an efficient way of distributing information in a timely and convenient manner.

General Meetings

Shareholders are encouraged to attend the Company's Annual General Meeting (AGM). Shareholders are given the opportunity to ask questions at the AGM and to vote.

Principle 7: Recognise and manage risk

Risk Committee

The Board has established a Risk Committee to support and assist the Board to recognise and monitor all non-financial risks arising from the Company's activities. The Risk Committee comprises the following Non-executive Directors:

- Glyn Dawkins (Chairman) – not independent
- Geoff Garside – independent
- Gordon Galt – independent

The Risk Committee has a majority of members whom are independent; however the chair of the Risk Committee is not independent, being a departure of *ASX Recommendation 7.1*.

The relevant qualifications and experience of the members of the Risk Committee are disclosed on page 7 to 8 of the Director's Report. All members of the Risk Committee have a good knowledge of risk management practices.

The Risk Committee meets as required, but at least twice per year. The Managing Director and Chief Financial Officer are invited to attend the Risk Committee meetings.

Further, the Company's Audit Committee monitors the Company's financial risks. Refer to page 28 of the Corporate Governance Statement which outlines the specific roles and responsibilities of the Audit and Compliance Committee.

Both Committees have oversight of the adequacy and effectiveness of the Company's risk management, including the establishment and maintenance of risk identification and management processes and the review of the Company's assessment of material business risks (financial and non-financial).

The Managing Director is accountable to the Board for the implementation of risk management processes in line with good corporate governance.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

Corporate Governance Statement (continued)

Internal audit

The Group does not have an internal audit function; however the Company has designed and implemented a risk management and internal control system to manage the Company's material business risks. The Board, Audit Committee and Risk Committee receive regular reports from management in respect of the effectiveness of the Company's material business risks.

Principle 8: Remunerate fairly and responsibly

Remuneration Policies

The Board has established a Remuneration Committee. The Remuneration Committee comprises:

- Glyn Dawkins (Chairman) – not independent
- Geoff Garside – independent
- Gordon Galt – independent

The Remuneration Committee has a majority of members whom are independent; however the chair of the Remuneration Committee is not independent, being a departure of *ASX Recommendation 8.1*.

The relevant qualifications and experience of the members of the Remuneration Committee are disclosed on page 7 to 8 of the Director's Report.

The Remuneration Committee meets as required, but at least twice per year. The Managing Director and Chief Financial Officer are invited to attend the Remuneration Committee meetings.

The Company's remuneration policies and details of the nature and amount of remuneration paid to Directors' and key executives during the year are set out in the Remuneration Report on pages 13 to 20 (*ASX Recommendations 8.2*).

Remuneration Review

The remuneration levels of Directors and executive KMP are reviewed by the REM Committee and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board or REM Committee considers that particular expertise or information is required, appropriate external advice may be taken and reviewed prior to a final decision by the Board. In respect of the Group's equity based remuneration scheme, executive KMP are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

Annual financial report – 30 June 2015

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This financial report is the consolidated financial report for the consolidated entity consisting of Delta SBD Ltd and its subsidiaries. This financial report is presented in the Australian currency.

Delta SBD Ltd is a for profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The registered office and principal place of business is:

Suite 220, 4 Hyde Parade
Campbelltown NSW 2560

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 7 to 23, which is not part of these financial statements.

The financial report of Delta SBD Ltd for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of Directors on 28 August 2015. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.deltasbd.com.au.

Delta SBD Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Continuing operations			
Revenue	4	67,479	69,346
(Loss)/Gain on sale of assets		208	(505)
Employee benefits expense		58,601	56,841
Materials and consumables		2,222	7,648
Inventory write down		-	541
Other expenses		3,238	4,010
Impairment- Property, Plant and Equipment		-	10,091
Impairment-Goodwill		-	29,247
Depreciation		1,631	3,781
Intangibles amortisation		62	55
Results from operating activities		1,933	(43,373)
Finance income	5	15	34
Finance costs	5	(1,271)	(1,658)
Net finance costs		(1,256)	(1,624)
Profit / (Loss) before income tax		677	(44,997)
Income tax benefit	6	81	2,171
Profit / (Loss) from continuing operations		758	(42,826)
Other comprehensive income		-	-
Total comprehensive profit / (loss) income for the period		758	(42,826)
		Cents	Cents
Basic Earnings per share	21	1.59	(90.41)
Diluted Earnings per share	21	1.59	(90.41)

The above Statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Delta SBD Limited
Consolidated statement of financial position
As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Assets			
Cash and cash equivalents	7	3,116	1,564
Trade and other receivables	8	12,118	12,979
Inventories	9	700	863
Other current assets	10	195	245
Current tax assets		-	362
Assets held for sale	11	-	17,011
Total current assets		16,129	33,024
Property, plant and equipment	12	14,057	8,830
Intangible assets	13	763	110
Deferred Tax Assets	16	1,500	1,696
Other non-current assets	10	152	192
Total non-current assets		16,472	10,828
Total Assets		32,601	43,852
Liabilities			
Trade and other payables	14	4,362	5,691
Loans and borrowings	15	4,837	9,654
Employee benefits	17	4,349	5,167
Current tax payable		66	24
Total current liabilities		13,614	20,536
Loans and borrowings	15	667	5,484
Employee benefits	17	150	174
Deferred tax liabilities	16	1,020	1,349
Total non-current liabilities		1,837	7,007
Total liabilities		15,451	27,543
Net assets		17,150	16,309
Equity			
Share capital	18	37,533	37,533
Reserves	22	2,915	2,832
Retained earnings		(23,298)	(24,056)
Total equity		17,150	16,309

The above statement of financial position is to be read in conjunction with the accompanying notes.

Delta SBD Limited
Statement of changes in equity
For the year ended 30 June 2015

	Attributable to the owners of Delta SBD Ltd			
	Share capital	Options reserve	Retained earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	38,035	946	20,350	59,331
Prior period adjustment	(1,058)	1,801	(743)	-
Restated balance at 1 July 2013	36,977	2,747	19,607	59,331
Profit / (Loss)	-	-	(42,826)	(42,826)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(42,826)	(42,826)
<i>Transactions with owners, recorded directly in equity</i>				
Dividend to equity holders (September 2013)	-	-	(837)	(837)
Shares issued – dividend reinvestment plan	556	-	-	556
Share based payment transactions	-	85	-	85
Balance at 30 June 2014	37,533	2,832	(24,056)	16,309
Profit / (Loss)	-	-	758	758
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	758	758
<i>Transactions with owners, recorded directly in equity</i>				
Share based payment transactions	-	83	-	83
Balance at 30 June 2015	37,533	2,915	(23,298)	17,150

The above statement of changes in equity is to be read in conjunction with the accompanying notes.

Delta SBD Limited
Consolidated statement of cash flows
For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Cash receipts from customers		68,338	81,192
Cash paid to suppliers and employees		(65,986)	(78,879)
Cash generated from operations		2,352	2,313
Interest received		15	32
Interest paid		(1,270)	(1,658)
Income taxes (paid)/received		351	(1,263)
Net cash used in operating activities	20	1,448	(576)
Cash flows from investing activities			
Proceeds from sale of assets		10,596	5,055
Acquisition of property, plant and equipment		(235)	(765)
Acquisition of intangibles		(715)	-
Net cash from/(used in) investing activities		9,646	4,290
Cash flows from financing activities			
Proceeds from repayment of employee share loans		52	667
Proceeds from non-current security deposits		40	1,492
Payment of hire purchase loan liabilities		(8,986)	(10,015)
Proceeds from loans from shareholders		-	650
Repayment of loans from shareholders		(636)	(522)
Payment of finance lease liabilities		(12)	(76)
Cash payment of dividends to ordinary shareholders		-	(280)
Net cash used in financing activities		(9,542)	(8,084)
Net (decrease)/increase in cash and cash equivalents		1,552	(4,370)
Cash and cash equivalents at the beginning of the financial year		1,564	5,934
Cash and cash equivalents at the end of the financial year	7	3,116	1,564

The above statement of cash flows is to be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated. The financial statements have been prepared for the consolidated entity consisting of Delta SBD Ltd and its subsidiaries for the year ended 30 June 2015.

The Group is a for-profit entity primarily involved in the provision of a full range of services to the underground coal mining industry along the Australian eastern seaboard. The services include whole of mine management, longwall relocations, underground roadway development, general labour and equipment hire in support of customer requirements.

(a) Basis of preparation

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001* (Cth). The financial report also complies with International Financial Reporting Standards (IFRS) including interpretations as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments). Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates and significant judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Material assumptions and estimates significant to the financial statements are outlined in note 2

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

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

Prior period adjustment

An adjustment has been processed in the prior period to appropriately record the fair value of shares issued under the Group's Long Term Incentive Plan.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Delta SBD Ltd and its subsidiaries as at 30 June 2015. Delta SBD and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the Group on the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

1 Summary of significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

Upon the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

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

(c) Revenue recognition

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

Services

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

Contracts

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

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Equipment

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

(d) Finance income and finance costs

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

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

1 Summary of significant accounting policies (continued)

(e) Income tax

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- for taxable temporary differences arising on the initial recognition of goodwill.

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of cash dividends are recognised at the same time as the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(f) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. Assets held under finance leases are initially recognised at the lower of their fair value or at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. Subject to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the assets held under these leases are not recognised in the statement of financial position.

(g) Lease payments

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

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

1 Summary of significant accounting policies (continued)

(h) Impairment of assets

Non-derivative financial assets

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

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

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

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

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

All impairment losses are recognised in profit or loss. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill is tested at each reporting date for impairment.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

1 Summary of significant accounting policies (continued)

(i) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

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

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

Loans and receivables

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

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes the Group's invoice discounting finance facility which forms an integral part of the Group's cash management.

Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the date they are originated. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

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

Share capital - Ordinary shares

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

Dividends

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

(j) Property, plant and equipment

Recognition and measurement

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

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

1 Summary of significant accounting policies (continued)

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

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

Subsequent costs

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

Depreciation

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

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

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

(k) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Subsequent measurement

Goodwill is measured at cost less any accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

1 Summary of significant accounting policies (continued)

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(m) Work in progress

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

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

(n) Employee benefits

Short Term Benefits

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

Long Term Benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

Share based payments

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(o) Provisions

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

1 Summary of significant accounting policies (continued)

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or rights for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(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 and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares and all share options.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

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

(s) Rounding of amounts

The company 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 these financial statements. Amounts in these financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(t) Measurement of fair values

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

The Group has established control framework with respect to the measurement of fair values. The management team has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Board of Directors.

The management team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, is used to measure fair values, then the management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which, such valuations should be classified.

Significant valuation issues are reported to the Audit and Compliance Committee.

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

- 1 Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- 2 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).
- 3 Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1 Summary of significant accounting policies (continued)

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

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

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 11 Assets held for sale

Note 25 Share-based payment transactions (share options)

The methodology for determining the fair value for disclosure purposes of trade and other receivables and non-derivative financial liabilities is as follows:

Trade and other receivables

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payment transactions

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

(u) Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will realise its assets and extinguish its liabilities on normal terms and conditions.

The Group recorded a net profit after tax for the year ended 30 June 2015 of \$758,000. . The directors have prepared detailed cash flow forecasts for the 18 month period from 1 July 2015. These cash flow forecasts indicate that the Group will progressively reduce the need to draw on its current finance facility and continue as a going concern.

(v) New and Amended standards and interpretations

The following standards and interpretations which became effective and were applied for the first time during the year ended 30 June 2015 were assessed to have no material impact on the Company.

Reference	Title
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
Interpretation 21	Levies
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]

1 Summary of significant accounting policies (continued)

Reference	Title
AASB 1031	<i>Materiality</i>
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>
AASB 1055	Budgetary Reporting
Amendments to Australian Accounting Standards - Part B Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)	AASB 2014-Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service. The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.
Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards

(w) New standards issued but not yet effective

The following recently issued standards and interpretations which are not yet effective, have not been applied by the Company. The Company is still assessing the potential impact of these new standards.

Reference	Title
AASB 9	Financial Instruments
AASB 14	Regulatory deferral accounts
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
AASB 2014-6	<i>Amendments to Australian Accounting Standards – Agriculture: Bearer Plants</i> [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
AASB 15	Revenue from Contracts with Customers
ASB 1056	Superannuation Entities
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]

2. Critical accounting estimates and assumptions

Tender Costs

The Group prepares tenders for its clients on a regular basis. There are a number of key accounting challenges when it comes to the recognition of tender costs and for this reason significant management judgment is required to determine the appropriate accounting treatment.

The Group's accounting policy is to capitalise both contractor and internally incurred costs in respect of a major tender when it believes it has reached a preferred bidder status and there is reasonable prospects that the Group will be awarded all or some of the work for which it has tendered for. Given the industry in which it operates, the Group recognises the risks associated with Government approvals of both mine extensions and new mining projects and therefore understands that a particular project for which the Group has tendered, and capitalised associated costs, may not eventually proceed. The Group capitalised tender costs to the value of \$653,000 during FY2015. These costs are identified as an intangible asset in note 13.

3. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of incorporation	Principal Activity	Percentage Owned*	
			2015	2014
Delta Mining Pty Ltd	Australia	Mining Services	100%	100%
SBD Services Pty Ltd	Australia	Mining Services	100%	100%
Delta Coal Mining Pty Ltd	Australia	Mining Services	100%	100%

*The proportion of ownership interest is equal to the proportion of voting power held.

4. Revenue

	2015	2014
	\$'000	\$'000
Contracting services	67,479	69,346

5. Finance income and finance costs

	2015	2014
	\$'000	\$'000
Finance income		
Interest income	15	34
Total finance income	15	34
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(1,271)	(1,658)
Total finance costs	(1,271)	(1,658)
Net finance costs recognised in profit or loss	(1,256)	(1,624)

6. Income tax expense

	2015 \$'000	2014 \$'000
(a) Income tax expense		
Current tax expense	66	14
Deferred tax expense - origination and reversal of temporary differences	(29)	(2,094)
Adjustment for prior periods	(118)	(91)
Total income tax benefit	(81)	(2,171)

(b) Numerical reconciliation between tax expense and pre-tax accounting profit

	2015 \$'000	2014 \$'000
Profit/(Loss) before income tax	677	(44,997)
Income tax expense/(benefit) using the Company's domestic tax rate of 30%	203	(13,499)

Increase in income tax due to:

Non-deductible expenses	-	8,773
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Decrease in income tax due to:

Derecognition of tax losses	(88)	2,646
Other deductible expenses	(78)	-
Under/(over) provided in prior years	(118)	(91)
Total income tax benefit	(81)	(2,171)

7. Current assets – Cash and cash equivalents

	2015 \$'000	2014 ⁽¹⁾ \$'000
Cash at bank and in hand	3,116	1,564
Total cash and cash equivalents in the statement of cash flows	3,116	1,564

- (1) The Audited 2014 Accounts have been restated to reflect changes in treatment of the Bibby Finance Facility, which has been re-defined from Cash and Cash Equivalents to Current Loans and Borrowings.

8. Current assets – Trade and other receivables

	2015	2014
	\$'000	\$'000
Current		
Trade receivables	11,875	12,035
Loans to related parties	79	131
Other receivables	-	144
Amounts due from customers for contracts (work in progress)	164	669
Total current trade and other receivables	12,118	12,979

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

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

There is \$164,000 (2014: \$669,000) receivable for construction contracts for services performed at 30 June 2015 for which an invoice has not been raised. This amount is disclosed net of GST.

9. Current assets – Inventories

	2015	2014
	\$'000	\$'000
Raw materials and consumables	700	863

10. Other current assets

	2015	2014
	\$'000	\$'000
Current		
Prepaid insurance	128	200
Other	67	45
Total other current assets	195	245

	2015	2014
	\$'000	\$'000
Non-current		
Security Deposits	152	192
Total other non-current assets	152	192

11. Assets held for sale

In the second half of FY 2014 the Board resolved to implement a debt reduction strategy and improve cash flow by disposal of selected assets which had been identified for sale pre 30 June 2014. These selected assets related to the Group's current longwall mobile fleet and mining equipment assets.

	2015	2014
	\$'000	\$'000
Plant and Equipment	-	2,102
Plant and Equipment under Finance	-	14,909
Total non-current other assets held for sale	-	17,011

(a) Reconciliation of movement

	2015	2014
	\$'000	\$'000
Opening balance	17,011	-
Assets sold	(10,222)	
Assets transferred (to)/from plant and equipment (note 12)	(6,789)	17,011
Closing balance	-	17,011

(b) Impairment loss

The Group recognised a significant impairment loss (\$9.60 million) in 2014 as part of the process to transfer assets from property, plant and equipment to assets held for sale. This impairment was the difference between the carrying value and the fair value, less costs to sell.

(c) Measurement of fair values

The non-recurring fair value measurement for the disposal group of \$17.0 million (before costs) has been categorised as a Level 3 fair value based on the inputs to the valuation used. The valuation technique used by the Group was to engage an external professional valuer to appraise all material equipment and subsequently to sell all said equipment. The Group has relied on the expertise of the valuer to ascertain and report their independent professional opinion of asset values.

Of this total \$10.22 million related to assets that were sold subsequent to FY14 balance date either via auction or negotiated sale. The assets had been measured at the lower of their carrying amount or fair value less costs to sell – being the actual sale proceeds received adjusted for the costs of disposal.

The remaining balance of assets held for sale of \$6.79 million were transferred back to sustainable asset accounts throughout FY15 and those assets were valued at the lower of the independent valuer's assessment of each asset's auction value or Director's valuation of a likely sale price, which represents the recoverable amount.

12. Non current assets – Property, Plant and Equipment

Consolidated	Plant & equipment	Plant & equipment – under finance	Motor Vehicles	Furniture, fittings & equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013					
Cost	14,321	43,862	481	585	59,249
Accumulated depreciation	(5,868)	(7,870)	(415)	(420)	(14,573)
Net book amount	8,453	35,992	66	165	44,676
Year ended 30 June 2014					
Opening net book amount	8,453	35,992	66	165	44,676
Additions	510	134	32	9	685
Reclassification to assets held for sale	(2,102)	(14,909)	-	-	(17,011)
Disposals & write offs	(44)	(5,568)	(36)	-	(5,648)
Depreciation charge	(1,574)	(2,114)	(24)	(69)	(3,781)
Impairment charge	(1,674)	(8,417)	-	-	(10,091)
Closing net book amount	3,569	5,118	38	105	8,830
As at 30 June 2014					
Cost	12,685	23,519	477	594	37,275
Accumulated depreciation and impairment	(9,116)	(18,401)	(439)	(489)	(28,445)
Net book amount	3,569	5,118	38	105	8,830
Year ended 30 June 2015					
Opening net book amount	3,569	5,118	38	105	8,830
Additions	211	-	-	15	226
Reclassification from assets held for sale	5,389	1,400	-	-	6,789
Disposals & write offs	(144)	-	(13)	(4)	(161)
Depreciation charge	(1,240)	(322)	(3)	(62)	(1,627)
Transfers	949	(949)			
Closing net book amount	8,734	5,247	22	54	14,057
At 30 June 2015					
Cost	19,090	23,970	464	605	44,129
Accumulated depreciation and impairment	(10,356)	(18,723)	(442)	(551)	(30,072)
Net book amount	8,734	5,247	22	54	14,057

13. Non current assets – Intangible assets

Consolidated	Goodwill	Business systems cost	Development costs ⁽¹⁾	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2013				
Cost	29,247	470	-	29,717
Accumulated depreciation	-	(305)	-	(305)
Net book amount	29,247	165	-	29,412
Year ended 30 June 2014				
Opening net book amount	29,247	165	-	29,412
Additions	-	-	-	-
Amortisation	-	(55)	-	(55)
Impairment loss ⁽¹⁾	(29,247)	-	-	(29,247)
Closing net book amount	-	110	-	110
As at 30 June 2014				
Cost	-	470	-	470
Accumulated depreciation	-	(360)	-	(360)
Net book amount	-	110	-	110
Year ended 30 June 2015				
Opening net book amount	-	110	-	110
Additions	-	47	667	714
Amortisation	-	(61)	-	(61)
Impairment loss	-	-	-	-
Closing net book amount	-	96	667	763
At 30 June 2015				
Cost	-	517	667	1,184
Accumulated depreciation	-	(421)	-	(421)
Net book amount	-	96	667	763

- (1) Development costs include an amount of \$653,000 in relation to contractor and internally incurred costs associated with the Adani Carmichael Project tender.
- (2) An impairment loss of \$29.24 million was recognised in FY2014 due to a significant operating loss within the Group's one cash generating unit during the six months ended 31 December 2013, and the downgrades to future revenue as a result of the current sector downturn. This impairment loss was allocated fully to goodwill reducing the goodwill balance to nil.

14. Current liabilities – Trade and other payables

	2015	2014
	\$'000	\$'000
Trade payables	2,724	3,623
Other payables and accrued expenses	1,638	2,068
	4,362	5,691

15. Loans and borrowings

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

	Notes	2015 \$'000	2014 \$'000
Current			
Hire purchase loans ⁽¹⁾		824	6,829
Unexpired hire purchase charges		(34)	(542)
Finance lease liabilities		25	37
Finance Facility	23(b)	4,022	3,330
Total current loans and borrowings		4,837	9,654
Non-current			
Hire Purchase loans ⁽¹⁾		40	4,471
Loans from shareholders	23(b), 25	628	1,278
Unexpired hire purchase charges		(1)	(265)
Total non-current loans and borrowings		667	5,484

(1) Hire purchase liabilities of the Group are payable as follows:

	Notes	2015 \$'000	2014 \$'000
Less than one year			
Minimum lease payments		824	6,829
Purchase charges		34	542
Value of minimum lease		790	6,287
Between one year and five years			
Minimum lease payments		40	4,471
Purchase charges		1	265
Value of minimum lease		39	4,206
Total			
Minimum lease payments		864	11,300
Purchase charges		35	807
Value of minimum lease		829	10,493

The hire purchase liabilities are fixed interest liabilities with an average interest rate of 5.58% p.a. and contractual terms of up to five years.

Hire purchase liabilities are secured against the individual assets with a carrying value of \$5.10 million (refer note 12).

Further details of the hire purchases and lease repayments are included at note 23(b).

16. Tax assets and liabilities

Current tax assets and liabilities

The consolidated entity's net current tax liability of \$66,000 (2014: \$338,000 net tax asset) represents the amount of income tax payable (2014: receivable) in respect of current and prior periods that arise from the payment of tax in deficit (2014: surplus) of the amounts due to the relevant tax authorities.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2015	2014
	\$'000	\$'000
Deferred tax asset		
<i>The balance comprises temporary differences attributable to:</i>		
Property, plant and equipment	19	110
Merger capital costs	-	4
Employee provisions	982	814
Other accruals	208	129
Tax losses recognised	291	639
Total deferred tax assets	<u>1,500</u>	<u>1,696</u>

	2015	2014
	\$'000	\$'000
Deferred tax liability		
<i>The balance comprises temporary differences attributable to:</i>		
Property, plant and equipment	919	1,192
Inventory	101	157
Total deferred tax liabilities	<u>1,020</u>	<u>1,349</u>

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits:

	2015	2014
	\$'000	\$'000
Deductible temporary differences	145	709
Tax losses	2,182	1,937
	<u>2,327</u>	<u>2,646</u>

Tax losses do not expire under the current tax legislation.

17. Employee benefits

	2015 \$'000	2014 \$'000
Current		
Liability for employee entitlements	4,349	5,167
Total employee benefits – current	4,349	5,167
	2015 \$'000	2014 \$'000
Non-current		
Liability for employee entitlements	150	174
Total employee benefits – non-current	150	174

Superannuation contributions for the year amounted to \$4.02 million (2014: \$3.44 million). These contributions have been included in employee benefits expense.

18. Contributed Equity

	2015 \$'000	2014 ⁽¹⁾ \$'000
a) Share capital		
Authorised, issued and fully paid up ordinary shares 47,628,648 (2014: 47,628,648)	37,533	37,533
	2015 No. of shares	2014 No. of shares
b) Movements in shares on issue		
Beginning of the period	47,628,648	46,518,648
Ordinary shares		
Dividend Reinvestment Plan (DRP)	-	1,110,000
Total	47,628,648	47,628,648

(1) The Audited 2014 Accounts have been restated to reflect the fair value of shares issued under the Group's LTIP at grant date.

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

19. Dividends

No dividends were declared and paid by the Group in 2015

The following dividend was paid pertaining to FY2013.

	Cents per share	Total Amount \$'000	Franked/ Unfranked	Date of payment
Final 2013 Ordinary	1.8	\$837	Franked	26 September 2013

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

Declared after the end of year

There have been no dividends declared after the balance sheet date in respect of the 2015 financial year.

Dividend franking Account

	2015 \$'000	2014 \$'000
Dividend franking account 30% franking credits available for subsequent financial years – Group	2,544	2,490
30% franking credits available for subsequent financial years - Company	316	330

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

- a) Franking credits that will arise from the payment of the current tax liabilities;
- b) Franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- c) 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 above amounts represent the balance of the franking account adjusted for franking credits that will arise from the payment of any current tax liability. The Group is not consolidated for tax purposes.

20. Reconciliation of cash flows from operating activities

	2015 \$'000	2014 \$'000
Profit / (Loss) for the year	758	(42,826)
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation	1,631	3,781
Amortisation of intangible assets	62	55
Impairment of goodwill	-	29,247
Impairment of property, plant and equipment	-	10,091
Inventory write down	-	541
Net finance costs	1,256	1,624
Underwriting fees	-	-
Long term incentive plan	-	-
Loss/(Profit) on sale of property plant and equipment	(208)	505
Income tax expense	(81)	(2,171)
Interest paid	(1,256)	(1,626)
Income taxes paid	352	(1,263)
Net cash provided by operating activities before change in assets and liabilities	2,514	(2,042)
Change in operating assets and liabilities		
Change in trade and other receivables	810	11,870
Change in inventories	163	300
Change in trade and other payables	(1,329)	(9,181)
Change in other assets	50	(25)
Change in employee benefits	(760)	(1,498)
Net cash from operating activities	1,448	(576)

21. Earnings per share

The calculation of basic earnings per share at 30 June 2015 was based on the profit attributable to ordinary shareholders of \$758,000 (2014: loss of \$42.83 million) and a weighted average number of ordinary shares outstanding of 47 million (2014: 44.3 million), calculated as follows:

	Consolidated 2015 Cents	2014 Cents
1. Basic earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	1.59	(90.41)
Total basic loss per share attributable to the ordinary equity holders of the company	1.59	(90.41)
2. Diluted earnings per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	1.59	(90.41)
Total diluted loss per share attributable to the ordinary equity holders of the company	1.59	(90.41)

21. Earnings per share (continued)

3. Reconciliations of earnings used in calculating earnings per share

	Consolidated 2015 \$'000	2014 \$'000
<i>Basic earnings per share</i>		
Profit / (Loss) from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	758	(42,826)
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	758	(42,826)

4. Weighted average number of shares used as the denominator

	Consolidated 2015 Number '000	2014 Number '000
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	47,628	47,367
Adjustments for calculation of diluted earnings per share		-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	47,628	47,367

22. Share options reserve

	2015 \$'000	2014 \$'000
Balance as at 1 July	2,832	2,747
Prior period adjustment	-	-
Share based payment expense	83	85
Balance as at 30 June	2,915	2,832

The fair value of share options granted is recognised in the share options reserve over the relevant vesting period.

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

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

23. Financial Instruments

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

- credit risk;
- liquidity risk; and
- market risk.

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

a) Risk Management Framework

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

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

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

b) Credit Risk

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

i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 82% of the Group's revenue is attributable to sales transactions with three customers (2014: 83% and three customers). These customers for financial year 2015 are rated between A1 and Baa2 by Moody's and are rated between A+ and BBB by Standards & Poor's. Geographically there is little concentration of credit risk.

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

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

More than 99% (2014: 99%) of the Group's customers have been transacting with the Group for over five (5) years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including parent company, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. The Group's trade and other receivables relate to the Group's wholesale customers. Customers that are graded as "high risk" are closely monitored by the senior management team.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables, as required.

23. Financial Instruments (continued)

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

	Note	2015 \$'000	2014 \$'000
Cash & cash equivalents	7	3,116	1,564
Other non-current assets	10	152	192
Trade Receivables	8	11,874	12,179
Loans to related parties	8	79	131
Amounts due from customers for contracts	8	164	669
Total trade, other and related party receivables		12,117	12,979
		15,385	14,735

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

	Gross 2015 \$'000	Impairment 2015 \$'000	Gross 2014 \$'000	Impairment 2014 \$'000
Not past due	7,378	-	7,184	-
Past due 0 to 30 days	3,565	-	3,769	-
Past due 31 to 90 days	603	-	1,546	-
Past due 91 to 180 days	571	-	480	-
More than 181 days	-	-	-	-
	12,117	-	12,979	-

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

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

	2015 \$'000	2014 \$'000
Balance at 1 July	-	-
Impairment loss recognised	-	-
Balance at 30 June	-	-

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables.

ii) Investments

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

23. Financial Instruments (continued)

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 will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or risking damage to the Group's reputation.

The Group uses activity-based costing to its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has access to available cash to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To assist in managing liquidity risk, the Group maintains the following line of credit:

- \$4,650,000 invoice discounting facility with Bibby Financial Services which charges interest based on Westpac Indicator Lending Rate. The facility is subject to quarterly reviews. For the purpose of calculating the ratio, shareholders loans are subordinated and Grouped with shareholder funds. Bibby has a fixed and floating charge over the assets of the Group as security for this facility. As at reporting date this facility has been drawn down to \$4,022,029.

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

30 June 2015	Carrying amount 2015 \$'000	Contractual cash flows \$'000	Less than one year \$'000	1-5 years \$'000
Finance Facility	4,022	4,022	4,022	-
Trade and other payables	4,362	4,362	4,362	-
Hire purchase obligations	854	863	823	40
Shareholder loan repayments	628	628	628	-
	9,866	9,875	9,835	40

30 June 2014	Carrying amount 2014 \$'000	Contractual cash flows \$'000	Less than one year \$'000	1-5 years \$'000
Finance Facility	3,330	3,330	3,330	-
Trade and other payables	5,691	5,691	5,691	-
Hire purchase obligations	10,530	11,300	6,829	4,471
Shareholder loan repayments	1,278	1,600	667	933
	20,829	21,921	16,517	5,404

Other than the early repayment of hire purchase obligations and selected shareholder loans following the sale of selected assets after balance date, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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

23. Financial Instruments (continued)

c) Market risk

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

i) Interest Rate risk

The Group adopts a policy of ensuring that between 25% and 100% percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into fixed interest hire purchase agreements for financing major asset purchases. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2015 \$'000	2014 \$'000
Fixed rate instruments		
Financial assets	152	-
Financial liabilities	(1,481)	(11,808)
	<u>(1,329)</u>	<u>(11,808)</u>
Variable rate instruments		
Financial assets	3,116	1,048
Financial liabilities	(4,022)	(3,330)
	<u>(906)</u>	<u>(2,282)</u>

Fair value sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss after tax by \$22,000 (2014: \$95,000) .

A change of 100 basis points in interest rates would have increased or decreased the Group's equity, excluding retained earnings by \$nil (2014: \$nil).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

Cash flow sensitivity analysis for variable rate instruments

	Profit or loss after tax		Equity (excluding retained earnings)	
	100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
30 June 2015				
Variable rate instruments	50	(50)	-	-
	<u>50</u>	<u>(50)</u>	<u>-</u>	<u>-</u>
	Profit or loss after tax		Equity (excluding retained earnings)	
	100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
30 June 2014				
Variable rate instruments	50	(50)	-	-
	<u>50</u>	<u>(50)</u>	<u>-</u>	<u>-</u>

23. Financial Instruments (continued)

d) Capital management

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

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

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Total liabilities	15,452	27,112
Less: cash and cash equivalents and non-current deposits	3,268	1,756
Net debt	12,184	28,868
Total equity	17,150	16,309
Net debt-to equity ratio at 30 June	71%	177%

e) Fair values

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

	30 June 2015		30 June 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Assets carried at fair value				
Nil	-	-	-	-
	-	-	-	-
Assets carried at amortised cost				
Loans and receivables	12,118	12,118	12,979	12,979
Cash and cash equivalents and non-current deposits	3,268	3,268	1,240	1,240
	15,386	15,386	14,219	14,219
Liabilities carried at fair value				
Nil	-	-	-	-
	-	-	-	-
Liabilities carried at amortised cost				
Trade and other payables	4,362	4,362	5,175	5,175
Hire purchase obligations	853	853	10,530	10,530
Finance facility liabilities	4,022	4,022	3,330	3,330
Shareholder loan repayments	627	627	1,278	1,278
	9,864	9,864	20,313	20,313

The basis for determining fair value is disclosed at note 1.

24. Financial Instruments (continued)

Interest rates used for determining fair values

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

	2015	2014
Loans and borrowings	5.6%	7.2%
Hire purchase finance and leases	5.6%	7.2%

24. Operating leases

Leases as lessee: Non-cancellable operating lease rentals are payable as follows:

	2015	2014
	\$'000	\$'000
Less than one year	240	167
Between one and five years	142	-
	382	167

The Group leases a number of office facilities under operating leases. The leases typically run for a period of (2) years with an option to renew the lease after that date.

During the year ended 30 June 2015 \$358,000 was recognised as an expense in profit or loss in respect of operating leases (2014: \$355,000).

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

25. Share-based payments

(a) Advisory

The following were outstanding at year end as part of the consideration for acting as advisors to the Company. It is the opinion of the Directors that the advisory roles are not material to the Group.

Party	Number of options and shares to which they relate	Exercise price (being 25% above the Offer Price)	Exercise period	Vesting conditions for the exercise of the options	Expiry date
New Holland Capital ⁽¹⁾ (an entity associated with the Group's Chairman, Gordon Galt)	2,500,000 exercisable over 2,500,000 ordinary shares	\$1.00	From Quotation Date until the Expiry Date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015
Sydney Capital Partners ⁽²⁾	625,000 exercisable over 625,000 shares	\$1.00	From 1 July 2012 until 5 years after the quotation date	12 months from quotation date	5 years after quotation on the ASX - 20 December 2015

- (1) the fair value of employee share options is measured using a binomial model. Measurement inputs include share price on measurement date, strike price of the instrument, expected volatility (based on weighted average volatility adjusted for changes expected due to holder behavior), and the risk-free interest rate (based on government bonds); and
- (2) the Sydney Capital Partners options has been calculated based on the fair value and was measured at a market price for the services received.

25. Share-based payments (continued)

Details of the number of share options:

	Number of options
Outstanding at the beginning of the period	3,437,500
Granted during the period	-
Forfeited during the period	(312,500)
Outstanding at the end of the period	3,125,000

The share based payments expense during the year ended 30 June 2015 was \$82,599 (2014: \$84,973).

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

(b) Employee Share Plan (ESP)

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

(c) Long Term Incentive Plan (LTIP)

Performance-linked equity plans are widely considered to be a very effective means of providing incentives to attract and retain staff while aligning potential incentive outcomes with the interests of shareholders.

The Group's Long Term Incentive Plan (LTIP) is in place to recognise the commitment and efforts of eligible employees and seeks to achieve the following objectives:

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

The LTIP offers eligible employees' shares in the Company based on a set percentage value of their current total remuneration. Long-term incentives are provided to eligible employees via participation in the Company's Employee Share Plan (ESP) and shares are awarded to employees only when relevant criteria attaching to the incentive is achieved.

26. Related party transactions

Key management personnel compensation

Key management personnel compensation comprised:

	2015	2014
	\$'000	\$'000
Short-term employee benefits	2,067	2,329
Long-term employee benefits	29	38
Long-term incentive plan	54	109
Post-employment benefits	138	170
Termination benefits	-	205
	<hr/> 2,288	<hr/> 2,851

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

Individual Director's and executive's compensation disclosures

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

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

Key management personnel and director transactions

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

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

	2015	2014
	\$	\$
Dawkins Enterprises Pty Ltd ⁽¹⁾	289,982	289,982
Titanwood Holdings Pty Ltd ⁽²⁾	338,344	338,344
Titanwood Holdings Pty Ltd ⁽³⁾	-	650,000
	<hr/> 628,326	<hr/> 1,278,326

- (1) Interest bearing loan from Dawkins Enterprises Pty Ltd is to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Glyn Dawkins.
- (2) Interest bearing loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca.
- (3) Interest bearing secured loan from Titanwood Holdings Pty Ltd is to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Stephen Bizzaca. The loan was entered into on 6 June 2014 for \$650,000; to be repaid over a period of 4 years. The loan was repaid in full in September 2014.

26. Related party transactions (continued)

Details regarding interest payments on loans from key management personnel and their related parties are as follows:

	2015	2014
	\$	\$
Dawkins Enterprises Pty Ltd ⁽¹⁾	28,128	30,424
Titanwood Holdings Pty Ltd ⁽²⁾	32,815	37,001
Titanwood Holdings Pty Ltd ⁽³⁾	17,369	5,633
	78,312	73,058

- (1) Interest paid to Dawkins Enterprises on working capital loan disclosed above. The interest rate is 9.70% fixed which is based on "market conditions – secured" loan of this nature. Interest is paid monthly.
- (2) Interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 9.70% fixed which is based on "market conditions – secured" loan of this nature. Interest is paid monthly.
- (3) Interest paid to Titanwood Holding Pty Ltd on working capital loan disclosed above. The interest rate is 13.00% fixed which is based on "market conditions – secured" loan of this nature. Interest is paid monthly. The loan was repaid in full in September 2014.

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

	Transactions value		Balance outstanding	
	2015	2014	2015	2014
	\$	\$	\$	\$
Titanwood Holdings Pty Ltd ⁽¹⁾	60,000	60,000	-	-
Dawkins Enterprises Pty Ltd ⁽²⁾	11,900	9,350	-	-
Total	71,900	69,350	-	-

- (1) On 2 April 2007, the Group entered into a five year contract with Titanwood Holdings Pty Ltd a company controlled by Mr. Stephen Bizzaca for the hire of a motor vehicle. The contract value is \$300,000. Contract terms are based on market rates for the type of vehicle and amounts are payable on a monthly basis. This contract has been extended for a further 4 year period based on the same terms and conditions expiring 2 April 2016.
- (2) The Group has entered into a professional services agreement with Dawkins Enterprises Pty Ltd for the provision of administrative services for the period July 2014 to June 2015. Contract terms are based on market rates for the type of services provided and amounts are payable on a monthly basis.

27. Segment Reporting

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

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

Mining contracting

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

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

Geographical information

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

Major customers

Revenue from three customers of the Group represent approximately \$55.41 million (82%) of total revenue (2014: \$57.7 million (83%).

28. Deed of Cross Guarantee

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

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

The subsidiaries subject to the deed are:

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

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

29. Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity.

	2015 \$'000	2014 \$'000
Audit services		
Audit and review of financial statements (EY Australia)	130	-
Audit and review of financial statements (KPMG Australia)	-	136
Other services		
<i>KPMG Australia:</i>		
Tax Compliance and Advisory	-	15
Contributions Coal Mines long service leave Board	-	5
Tax advisory in relation to Research & Development	-	10
Total other services	-	30

It is the Group's policy to employ Ernst & Young on assignments additional to their statutory audit duties where their expertise and experience with the Company are important. It is Company policy to seek competitive tenders for all major consulting projects.

30. Parent Entity Disclosure

As at, and throughout, the financial year ended 30 June 2015 the parent company of the Group was Delta SBD Limited.

	Company 2014 \$'000	2014 \$'000
Result in parent entity		
(Loss)/Profit for the period	250	(16,991)
Other comprehensive income	-	-
Total comprehensive income for the period	250	(16,991)
Financial position of parent entity at year end		
Current assets	163	144
Total assets	18,493	18,976
Current liabilities	1,298	2,556
Total liabilities	1,343	2,666
Net Assets	17,150	16,309
Total equity of the parent entity comprising of		
Share Capital	37,534	38,591
Options reserve	2,915	946
Retained profits/(losses)	(23,299)	(23,228)
Total Equity	17,150	16,309

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details on the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 28.

31. Events occurring after the reporting period

Other than outlined in this report, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Group in the future financial years.

In the Directors' opinion:

- (a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the financial year ended on that date;
- (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; and
- (c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.
Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.



Gordon Galt
Chairman
Sydney
28 August 2015

Independent auditor's report to the members of Delta SBD Limited

Report on the financial report

We have audited the accompanying financial report of Delta SBD Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

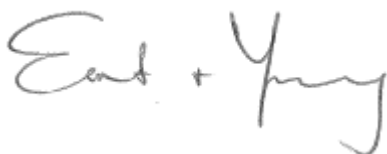
- a. the financial report of Delta SBD Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Delta SBD Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Scott Jarrett
Partner
Sydney
28 August 2015

Shareholder information for listed public companies

The shareholder information set out below was applicable as at 24 August 2015.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Category	Number of shareholders
1 – 1,000	52
1,001 – 5,000	145
5,001 – 10,000	107
10,001 – 100,000	122
100,001 and over	32
TOTAL	458

There were 274 holders of less than a marketable parcel of ordinary shares.

There are two (2) holders of options over ordinary shares. Refer to note 25 in the financial statements.

B. Equity Security Holders

Total quoted equity securities: 47,628,648

The names of the twenty largest holders of quoted equity securities are listed below.

	Name	Number of ordinary shares	percentage capital held
1	SBD NOMINEES PTY LTD <SBD TRADING A/C>	12,362,420	25.96%
2	DAWKINS ENTERPRISES PTY LTD	10,708,930	22.48%
3	TITANWOOD HOLDINGS PTY LTD	4,590,599	9.64%
4	TRINITY MANAGEMENT GROUP PTY LTD <SBD EMPLOYEE SHARE ACCOUNT>	3,515,891	7.38%
5	MR GLYN DAWKINS & MRS PAMELA DAWKINS <DAWKINS FAMILY S/F A/C>	2,180,373	4.58%
6	NEHEMINE PTY LTD <MCCREADLE FAMILY A/C>	868,173	1.82%
7	OMICRON ENTERPRISES PTY LTD	675,587	1.42%
8	MRS CHRISTINE GARDNER	531,343	1.12%
9	MRS SUSAN HOLT	480,460	1.01%
10	B & H GLAISTER INVESTMENTS P/L <B & H GLAISTER S/F A/C>	440,000	0.92%
11	BERNE NO 132 NOMINEES PTY LTD <224266 A/C>	400,000	0.84%
12	MR DAVID COLIN ARCHIBALD	363,920	0.76%
13	MASE INVESTMENTS PTY LTD	351,868	0.74%
14	MR GLENN ROBERT REID & MRS SHARI ANN REID	330,036	0.69%
15	C & L DAWKINS PTY LTD <CARL DAWKINS FAMILY A/C>	323,719	0.68%
16	MESDAM PTY LTD <MICHAEL DAWKINS FAMILY A/C>	323,719	0.68%
17	MS TANIA WITHERS	322,659	0.68%
18	BLADE EQUITIES PTY LTD <MONARCH INVESTMENT A/C>	296,719	0.62%
19	MR LESLIE JOHN GARDNER & MRS CHRISTINE MARY GARDNER	295,569	0.62%
20	MR MARTINUS VLEKKERT	289,000	0.61%
	TOTAL	39,650,985	83.25%

Unquoted equity securities - The Company does not have any unquoted equity securities.

Shareholder information for listed public companies (continued)

C. Substantial holders

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

Shareholder	Percentage of capital held	Number of ordinary shares held
SBD Nominees Pty Ltd	25.96%	12,362,420
Titanwood Holdings Pty Ltd	9.64%	4,590,599
Trinity Management Group Pty Ltd (via the Delta SBD Employee Long Term Incentive Plan)	0.36%	171,484
Total (related parties of Stephen Bizzaca)	35.96%	17,124,503
Dawkins Enterprises Pty Ltd	22.48%	10,708,930
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	4.58%	2,180,373
Total (related parties of Glyn Dawkins)	27.06%	12,889,303

D. Voting Rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options.

E. Other Information

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