Sedgman Limited [ASX: SDM]

ABN 86 088 471 667

Head Office
Level 2, 2 Gardner Close
Milton QLD 4064
AUSTRALIA
Ph: +61 7 3514 1000
Fax: +61 7 3514 1999

Postal Address
PO Box 1801
Milton BC QLD 4064

Email: mail@sedgman.com
Web: www.sedgman.com

Sedgman Limited

ABN 86 088 471 667

Appendix 4D

for the half year ended 31 December 2015

APPENDIX 4D
HALF YEAR REPORT

Name of Entity:

SEDGMAN Limited

ABN:

86 088 471 667	Current reporting period	Half Year ended 31 December 2015
	Previous corresponding period	Half Year ended 31 December 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenue from ordinary activities	Up	18.4%	to	171,093
Profit from ordinary activities after tax attributable to members	Up	75.6%	to	8,207
Basic earnings per share	Up	71.4%	to	3.6¢
Total dividends per share	Up	251.4%	to	12.3¢

DIVIDENDS	Amount per Security	Franked amount per security
For the 6 months ended 31 December 2015		
Interim Dividend – payable on 7 March 2016	3.5 cents	3.5 cents
Special Dividend – payable on 7 March 2016	8.8 cents	8.8 cents
For the 6 months ended 31 December 2014		
Interim Dividend	3.5 cents	3.5 cents

The Record date for determining entitlements to the interim and special dividend	25 February 2016
Date the dividend is payable	7 March 2016

FINANCIAL PERFORMANCE

The net profit after tax for the half year was $8.207 million, a 76% increase from the previous corresponding period. Underlying EBIT* increased by 68% to $13.240 million on higher combined sales revenue* and margins in the Projects and Operations businesses.

Refer to the Operating and financial review in the Directors' report for further detail.

In a challenging environment Sedgman continues to win EPC projects across a range of commodities. During the period the Sedgman Civmec Joint Venture (SCJV) was awarded the $145 million contract with BHP Billiton Iron Ore (BHPBIO) for civil, structural, mechanical, piping, electrical and commissioning works at the Jimblebar iron ore mine in Western Australia.

Sedgman has previously advised that the second half financial year 2016 results will be softer than the first half. The second half results will be further impacted by one-off costs associated with the CIMIC takeover offer for the Company.

* Underlying EBIT and combined sales revenue are non-statutory items which have not been audited or reviewed. These items are used in presentations to the investment community when reviewing the Group's performance.

NTA BACKING	31 December 2015	31 December 2014
Net Tangible asset backing per ordinary security	$0.554	$0.558

DETAILS OF JOINT ARRANGEMENTS AND ASSOCIATE ENTITIES

Name of entity (or group of entities)	Holding		Aggregate share of profit		Contribution to net profit	
	31-Dec-15 %	31-Dec-14 %	31-Dec-15 $'000	31-Dec-14 $'000	31-Dec-15 $'000	31-Dec-14 $'000
JOINT VENTURES						
GSJV SCC	50	50	317	1,709	317	1,709
Total Joint Ventures (before allocation of indirect costs)	50	50	317	1,709	317	1,709
ASSOCIATES						
OnTalent Pty Ltd	33	33	39	21	39	21
Total Associates (before allocation of indirect costs)	33	33	39	21	39	21

COMPLIANCE STATEMENT

This report is based on accounts that have been reviewed. The review report, which is unmodified, is contained in the company's 31 December 2015 Interim Financial Report.

Signed by: ....

Adrian Relf
Company Secretary

Date: 11 February 2016

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Sedgman Limited

ABN 86 088 471 667

Interim Financial Report

for the half-year ended 31 December 2015

Contents

The Directors present their report together with the condensed consolidated interim financial statements of the Group consisting of Sedgman Limited ("Sedgman" or "the Company") and its subsidiaries for the half-year ended 31 December 2015 and the auditor's review report thereon.

1. Directors

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

- Robert John McDonald (Appointed 8 June 2006)
- Peter Richard Watson (Appointed 26 June 2014)
- Russell James Kempnich (Appointed 6 July 1999)
- Donald James Argent (Appointed 12 April 2006, resigned 18 November 2015)
- Peter Ian Richards (Appointed 14 December 2010, ceased* 19 November 2015)
- Antony Leslie Jacobs (Appointed 3 October 2013)
- Philippe Gerald Etienne (Appointed 26 February 2015, ceased* 19 November 2015)
- Bart Vogel (Appointed 26 February 2015, ceased* 19 November 2015)

** Directors were not re-elected at the Annual General Meeting.*

2. Principal activities

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

3. Operating and financial review

The Group's financial performance is explained using measures that are not defined under Australian Accounting Standards ("AASBs") and are therefore termed non-statutory measures. The non-statutory financial information contained within this Directors' report has not been audited or reviewed. The non-statutory measures used to monitor Group and business segment performance are combined sales revenue, earnings before interest and tax ("EBIT") (underlying), EBIT margin (underlying), and net cash. Refer to section 3.5 of this report for a reconciliation of these non-statutory amounts to statutory financial information.

3.1. Performance overview

	Half-year 31 December 2015	Half-year 31 December 2014	Change
Net profit after tax	$8.207m	$4.674m	Up 76%
EBIT (underlying)	$13.240m	$7.860m	Up 68%
EBIT margin (underlying)	5.9%	4.9%	
Combined sales revenue	$224.879m	$160.315m	Up 40%
Net cash from operating activities	$5.412m	$16.610m	Down 67%
Reported earnings per share	3.6 cents	2.1 cents	Up 71%
Dividend per share	12.3 cents	3.5 cents	Up 251%

The net profit after tax for the half-year was $8.207 million, a 76% increase from the previous corresponding period. Underlying EBIT increased by 68% to $13.240 million on higher combined sales revenue and improved margins in the Projects and Operations businesses.

3. Operating and financial review (continued)

3.2. Projects segment

Combined sales revenue for the Projects business increased by 61.2% to $168.781 million as a number of major Engineering, Procurement and Construction (EPC) projects namely Gemco, Alcoa, Twin Pines, Aurora and Jimblebar progressed during the HY 2016.

The Projects underlying EBIT for HY 2016 was $7.003 million. The EBIT margin of 4.1% for HY 2016 was more than the 3.0% EBIT margin achieved in HY 2015 due to lower Projects business costs.

In a challenging environment Sedgman continues to win EPC projects across a range of commodities. During the period the Sedgman Civmec Joint Venture (SCJV) was awarded the $145 million contract with BHP Billiton Iron Ore (BHPBIO) for civil, structural, mechanical, piping, electrical and commissioning works at the Jimblebar iron ore mine in Western Australia.

The environment for servicing the global resources sector remains challenging. Project margins are likely to remain under pressure as competition for reduced opportunities intensifies. Sedgman is responding to these market conditions through continued focus on cost management and through offering commercially effective solutions, which is supported by our specialist global resource engineering, procurement and project delivery capability.

3.3. Operations segment

Combined sales revenue for the Operations business of $56.098 million was in line with the prior corresponding period. EBIT margin for HY 2016 of 11.1% (HY 2015: 8.4%) shows a strong improvement as the business focuses on cost control and the continuous improvement in operational performance at all sites. Tonnages increased across a number of sites as clients took advantage of superior plant availability.

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

3.4. Balance sheet and cashflow

Net cash from operating activities was $5.412 million, a $11.198 million decrease on the previous corresponding period. This was due to the prior period including significant working capital inflows (progress claims in advance received from Project clients).

The Group's net cash position at 31 December 2015 was $96.478 million compared to $108.839 million at 30 June 2015. This reduction was explained by the payout of the final FY 2015 dividends of $13.624 million, unwinding of prior period working capital inflows in the Projects business, partly offset by cash profits for HY 2016.

The Group's strong balance sheet is viewed favourably by our clients and gives the company a competitive advantage compared to our peers.

3. Operating and financial review (continued)

3.5. Alternative performance measure reconciliations

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

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

Reconciliation of Group combined sales revenue

	Half-year	
	31 December 2015 $'000	31 December 2014 $'000
Combined sales revenue	**224,879**	160,315
Changes in construction work in progress	**(43,783)**	8,024
Share of GSJV revenue	**(11,908)**	(27,482)
Sedgman revenue from GSJV	**2,708**	4,420
Group share of associates revenue	**(803)**	(780)
Revenue from services	**171,093**	144,497

Reconciliation of Projects' combined sales revenue

	Half-year	
	31 December 2015 $'000	31 December 2014 $'000
Projects combined sales revenue	**168,781**	104,715
Changes in construction work in progress	**(43,783)**	8,024
Share of GSJV revenue	**(11,908)**	(27,482)
Sedgman revenue from GSJV	**2,708**	4,420
Share of associates revenue	**(803)**	(780)
Revenue from project services	**114,995**	88,897

3. Operating and financial review (continued)

3.5. Alternative performance measure reconciliations (continued)

Reconciliation of Operations' combined sales revenue

	Half-year 31 December 2015 $'000	31 December 2014 $'000
Operations combined sales revenue	**56,098**	55,600
Nil adjustments	**-**	-
Revenue from operations services	**56,098**	55,600

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

Reconciliation of Group EBIT (underlying)

	Half-year 31 December 2015 $'000	31 December 2014 $'000
EBIT (underlying)	**13,240**	7,860
Interest income / change in fair value of financial assets	**1,315**	1,565
Finance costs	**(630)**	(1,179)
Redundancy costs	**(578)**	(1,405)
GSJV income tax	**(39)**	(273)
Net profit before tax	**13,308**	6,568
Income tax expense	**(5,101)**	(1,894)
Net profit after tax	**8,207**	4,674

Reconciliation of Projects' EBIT (underlying)

	Half-year 31 December 2015 $'000	31 December 2014 $'000
Projects EBIT (underlying)	**7,003**	3,184
Other income	**(1,269)**	(1,301)
Finance costs	**(493)**	(534)
Redundancy costs	**(514)**	(687)
GSJV income tax	**(39)**	-
Segment profit before tax	**4,688**	662

Reconciliation of Operations' EBIT (underlying)

	Half-year 31 December 2015 $'000	31 December 2014 $'000
Operations EBIT (underlying)	**6,237**	4,676
Other income	**(190)**	(531)
Finance costs	**(137)**	(645)
Redundancy costs	**(64)**	(718)
Segment profit before tax	**5,846**	2,782

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

3. Operating and financial review (continued)

3.5. Alternative performance measure reconciliations (continued)

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

	31 December 2015 $'000	30 June 2015 $'000
Net cash	**96,478**	108,839
Interest bearing liabilities (current)	**4,466**	2,185
Cash and cash equivalents	**100,944**	111,024

4. Dividends

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

Declared and paid during the half-year	**Cents per share**	**Total Amount $'000**	**Franked/ Unfranked**	**Date of payment**
Final 2015 ordinary	3.8	8,628	Franked	23 September 2015
Final 2015 special	2.2	4,996	Franked	23 September 2015

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

After the balance sheet date, a fully franked ordinary dividend of 3.5 cents per share (3.5 cents per share declared in relation to the half-year ended 31 December 2014) as well as a fully franked special dividend of 8.8 cents per share (nil cents per share declared in relation to the half-year ended 31 December 2014) was proposed by the Directors, franked at the rate of 30%. The record date for entitlement to this dividend will be 25 February 2016 and the payment date will be 7 March 2016.

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

On 13 January 2016, CIMIC Group Investments Pty Ltd, the Company's largest shareholder, and a wholly owned subsidiary of CIMIC Group Limited ("CIMIC") launched an unsolicited and unconditional bid to acquire the balance of shares in Sedgman Limited. As at 5 February 2016, the last reported ownership balance of CIMIC in Sedgman Limited was 46.44%.

Other than the dividends declared and the associated changes to the Group's banking arrangements (refer note 9 to the condensed consolidated interim financial statements) and the bid to acquire Sedgman Limited noted above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

6. Auditor

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the directors' report for the half-year ended 31 December 2015.

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

7. Rounding

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

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

Robert John McDonald
Chairman

Peter Richard Watson
Managing Director

Brisbane
11 February 2016

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

To: the Directors of Sedgman Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015, there have been:

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

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

KPMG

KPMG

Scott Guse
Partner

Brisbane
11 February 2016

	Notes	Half-year 2015 $'000	2014 $'000
Revenue from services	5	**171,093**	144,497
Other income		**2,774**	3,397
		173,867	147,894
Expenditure			
Changes in construction work in progress		**43,783**	(8,024)
Raw materials and consumables used		**(140,412)**	(72,494)
Depreciation and amortisation expense		**(4,345)**	(5,764)
Employee expenses		**(44,872)**	(44,094)
Agency contract fees		**(3,870)**	(3,368)
Impairment of receivables (recognised)/reversed	6	**(27)**	2,078
Other expenses		**(10,542)**	(10,211)
Finance costs		**(630)**	(1,179)
		(160,915)	(143,056)
Share of net profits of investments accounted for using the equity method		**356**	1,730
Profit before income tax		**13,308**	6,568
Income tax expense	7	**(5,101)**	(1,894)
Profit for the period attributable to owners of the Company		**8,207**	4,674

	Cents	Cents
Earnings per share:		
Basic earnings per share	**3.6**	2.1
Diluted earnings per share	**3.5**	2.0

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

	Half-year	
	2015 **$'000**	2014 $'000
Profit for the period	**8,207**	4,674
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Changes in fair value of financial assets (net of tax)	**(878)**	(197)
Items that are or may be reclassified to profit or loss:		
Foreign operations – foreign currency translation differences	**(678)**	1,384
Other comprehensive income (net of tax)	**(1,556)**	1,187
Total comprehensive income attributable to owners of the Company	**6,651**	5,861

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

Sedgman Limited
Condensed consolidated balance sheet
As at 31 December 2015

	Notes	31 December 2015 $'000	30 June 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**100,944**	111,024
Trade and other receivables		**73,756**	92,892
Assets classified as held for sale		**1,483**	1,483
Current tax assets – Income tax refunds		**1,129**	1,683
Financial assets at fair value through profit or loss		**-**	500
Inventories – Spare parts and consumables		**2,479**	2,222
Total current assets		**179,791**	209,804
Non-current assets			
Financial assets at fair value through profit or loss		**255**	274
Financial assets at fair value through other comprehensive income		**169**	546
Investments accounted for using the equity method		**6,285**	5,742
Property, plant and equipment		**16,368**	16,089
Deferred tax assets		**3,251**	5,217
Intangible assets		**37,121**	37,222
Total non-current assets		**63,449**	65,090
Total assets		**243,240**	274,894
LIABILITIES			
Current liabilities			
Trade and other payables		**62,199**	90,593
Interest bearing liabilities	8	**4,466**	2,185
Provisions		**10,889**	11,002
Current tax liabilities		**1,480**	119
Total current liabilities		**79,034**	103,899
Non-current liabilities			
Provisions		**1,188**	1,552
Other		**119**	178
Total non-current liabilities		**1,307**	1,730
Total liabilities		**80,341**	105,629
Net assets		**162,899**	169,265
EQUITY			
Contributed equity		**116,212**	116,212
Reserves		**5,891**	6,840
Retained profits		**40,796**	46,213
Parent entity interest		**162,899**	169,265
Total equity attributable to owners of the Company		**162,899**	169,265

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

Sedgman Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2015

	Notes	Contributed Equity $'000	Reserves: Foreign currency translation reserve $'000	Reserves: Equity compensation reserve $'000	Reserves: Financial assets revaluation reserve $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 July 2014		116,212	(6,571)	11,926	(377)	42,173	163,363
Total comprehensive income for the period^							
Profit		-	-	-	-	4,674	4,674
Total other comprehensive income							
Movement in fair value of financial assets		-	-	-	(197)	-	(197)
Foreign exchange translation differences		-	1,384	-	-	-	1,384
Total comprehensive income for the period		-	1,384	-	(197)	4,674	5,861
Transactions with owners in their capacity as owners^:							
Employee performance rights		-	-	167	-	-	167
Dividends provided for or paid	9	-	-	-	-	(4,541)	(4,541)
Total transactions with owners of the Company		-	-	167	-	(4,541)	(4,374)
Balance at 31 December 2014		116,212	(5,187)	12,093	(574)	42,306	164,850
Balance at 1 July 2015		116,212	(4,762)	12,714	(1,112)	46,213	169,265
Total comprehensive income for the period^							
Profit		-	-	-	-	8,207	8,207
Total other comprehensive income							
Movement in fair value of financial assets		-	-	-	(878)	-	(878)
Foreign exchange translation differences		-	(678)	-	-	-	(678)
Total comprehensive income for the period		-	(678)	-	(878)	8,207	6,651
Transactions with owners in their capacity as owners^:							
Employee performance rights		-	-	607	-	-	607
Dividends provided for or paid	9	-	-	-	-	(13,624)	(13,624)
Total transactions with owners of the Company		-	-	607	-	(13,624)	(13,017)
Balance at 31 December 2015		**116,212**	**(5,440)**	**13,321**	**(1,990)**	**40,796**	**162,899**

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

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

	Notes	Half-year 2015 $'000	2014 $'000
Cash flows from operating activities			
Cash receipts from customers		**230,848**	172,783
Cash payments to suppliers and employees		**(224,165)**	(153,998)
		6,683	18,785
Interest received		**1,396**	1,531
Financing costs paid		**(500)**	(995)
Income taxes paid		**(2,577)**	(2,711)
Income taxes refunded		**410**	-
Net cash from operating activities		**5,412**	16,610
Cash flows from investing activities			
Acquisition of other investments		**-**	(250)
Repayments/(payments) for convertible notes		**500**	(250)
Dividends paid by associates		**23**	-
Payments for property, plant and equipment		**(1,756)**	(531)
Proceeds from sale of property, plant and equipment		**293**	616
Acquisition of intangible asset		**(325)**	-
Net cash used in investing activities		**(1,265)**	(415)
Cash flows from financing activities			
Finance lease payments		**(342)**	(736)
Repayment of borrowings		**-**	(2,100)
Dividends paid	9	**(13,624)**	(4,541)
Net cash used in financing activities		**(13,966)**	(7,377)
Net increase/(decrease) in cash and cash equivalents		**(9,819)**	8,818
Effect of exchange rate fluctuations on cash held		**(261)**	1,289
Cash and cash equivalents at 1 July		**111,024**	97,789
Cash and cash equivalents at 31 December		**100,944**	107,896

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

Contents of the notes to the condensed consolidated interim financial statements

1. Reporting entity

Sedgman Limited (the "Company") is a company domiciled in Australia. The Company's registered office is at Level 2, 2 Gardner Close, Milton QLD 4064, Australia. The condensed consolidated interim financial statements as at and for the half-year ended 31 December 2015 comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies").

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

The annual consolidated financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Level 2, 2 Gardner Close, Milton Qld 4064 or at www.sedgman.com.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2015.

The condensed consolidated interim financial statements were approved by the Board of Directors on 11 February 2016.

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

3. Estimates and judgements

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015, except as follows.

From 1 July 2015 the remaining useful life of the Enterprise Resource Planning ("ERP") software asset was amended. Given the expected continued use of the ERP by the Group and only minor requirements for updates, it was determined that the useful life be extended from one year to four years remaining. This change in useful life had the impact of reducing amortisation expense by $0.689 million for the half-year ended 31 December 2015 (2014: nil).

4. Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied by the Group in its annual consolidated financial statements as at and for the year ended 30 June 2015.

There have been no new accounting standards that have had a significant impact on the condensed consolidated interim financial statements.

5. Segment information

Description of segments

The Group is structured along its business lines of Create, Build and Operate. For segment reporting purposes, the Group has determined (consistent with the annual consolidated financial statements as at and for the year ended 30 June 2015) that the following two reportable segments exist: Projects (Create and Build) and Operations (Operate), which are considered to be the Group's overall strategic business units. For each of the strategic business units, the CEO reviews internal management reports on a monthly basis. The alignment of Create, Build and Operate into these reportable segments is set out below.

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

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

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

31 December 2015	**Projects $'000**	**Operations $'000**	**Consolidated $'000**
External revenue	**114,995**	**56,098**	**171,093**
Interest and finance charges	**(493)**	**(137)**	**(630)**
Depreciation and amortisation expense	**(953)**	**(3,392)**	**(4,345)**
Segment profit before income tax	**4,688**	**5,846**	**10,534**
31 December 2014			
External revenue	88,897	55,600	144,497
Interest and finance charges	(534)	(645)	(1,179)
Depreciation and amortisation expense	(1,553)	(4,211)	(5,764)
Segment profit before income tax	662	2,782	3,444

Reconciliation of segment profit before income tax:	**Half-year**	
	2015 $'000	2014 $'000
Total profit for reportable segments before income tax	10,534	3,444
Other income	2,774	3,397
Tax recognised in joint venture	-	(273)
Total profit before income tax	13,308	6,568

6. Impairment of receivables

For the half-year ended 31 December 2015 the Group raised impairment allowances against trade and other receivables of $0.027 million included in the Projects segment (2014: ($2.078 million) was recognised in reversed provisions for impairment due to the partial recovery of amounts owing).

7. Income tax expense

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

	31 December 2015 $'000	31 December 2014 $'000
Profit before income tax expense	**13,308**	6,568
Tax at the Australian tax rate of 30% (2014: 30%)	**(3,992)**	(1,970)
(Under)/over provision in prior year (i)	**(1,658)**	(138)
Difference in overseas tax rates	**227**	109
Tax effect of share of profits of equity accounted investments (ii)	**95**	519
Research and development	**375**	80
Sundry	**89**	(236)
	(4,864)	(1,636)
Overseas tax losses written off	**(237)**	(258)
Income tax expense	**(5,101)**	(1,894)

(i) Included in the (under)/ over provision amount for the half-year ended 31 December 2015 is the assessability of a prior period contractual claim settlement of US$4.550 million, which was treated as exempt from income tax at 30 June 2015.
(ii) The share of profits of equity accounted investments is net of income tax. This line item removes the prima facie tax effect on such profits.

8. Interest bearing liabilities

	31 December 2015 $'000	30 June 2015 $'000
Current		
Lease liabilities	**4,466**	2,185

During the half-year ended 31 December 2015 the Company entered into a finance lease of plant and equipment valued at $2.623 million (half-year ended 31 December 2014: nil) for a term of five years. Due to the financing leases with Australia and New Zealand bank ("ANZ") and National Australia Bank ("NAB") being under annual revolving facilities, all outstanding commitments under this facility are classified as a current liability.

9. Dividends

	Half-year	
(a) Ordinary shares	**2015 $'000**	2014 $'000
Final fully franked dividend		
Ordinary dividend per share $0.038 (2014: $0.020) based on tax paid @ 30%	**8,628**	4,541
Special dividend per share $0.022 (2014: nil) based on tax paid @ 30%	**4,996**	-
Total dividends provided for or paid	**13,624**	4,541

After the balance sheet date the following fully franked dividends were proposed by the Directors. The record date for entitlement to these dividends will be 25 February 2016. The declaration and subsequent payment of dividends has no income tax consequences.

	Cents per share	**Franked/ unfranked**	**Date of Payment**
Interim ordinary	3.5	Franked	7 March 2016
Interim special	8.8	Franked	7 March 2016

As a result of declaring this special dividend the Group has renegotiated its banking arrangements to facilitate the future payment of this dividend.

The financial effect of these dividends has not been brought to account in the condensed consolidated interim financial statements for the half-year ended 31 December 2015 and will be recognised in subsequent financial statements.

9. Dividends (continued)

(b) Franked dividends

The franked portions of the final dividends recommended after 31 December 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax for the half-year ended 31 December 2015.

	Half-year	
	2015 **$'000**	2014 $'000
Franking credits available for subsequent financial periods based on tax rate of 30% (2014: 30%)	**21,576**	25,012

The amounts above include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends. The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, Sedgman Limited as the head entity in the tax-consolidated group has also assumed the benefit of $21.576 million (2014: $25.012 million) franking credits.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $11.969 million (2014: $3.406 million).

10. Contingencies

Guarantees and Performance Bonds
Bank guarantees and performance bonds have been given in respect of work in progress contracts and leased assets and premises of the Group amounting to $41.942 million (30 June 2015: $36.039 million).

Taxation
The Group operates in a number of foreign jurisdictions which trigger various taxation obligations. The Group believes that its accruals for taxation related liabilities are adequate for all open tax years. However, the outcome of all uncertain tax positions cannot be foreseen at present. No amounts have been disclosed in the condensed consolidated interim financial statements for these items.

11. Related party transactions

Arrangements with related parties continue to be in place. For details on those arrangements, refer to the 30 June 2015 annual consolidated financial statements. There were no significant changes in arrangements with related parties during the half-year ended 31 December 2015, except as follows.

During the half-year ended 31 December 2015 the Group provided engineering consulting services to the Sedgman Civmec Joint Venture ("SCJV") a joint operation of the Group (refer note 14) for $2.132 million (2014: nil). These services were provided under the Group's normal terms and conditions. At 31 December 2015 the amount receivable from the SCJV was nil (2014: nil).

12. Financial instruments

The fair value of financial assets and liabilities and their levels in the fair value hierarchy, together with the carrying amounts shown in the consolidated balance sheet, are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The definition of the fair value levels are the same as those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2015.

	31 December 2015		30 June 2015	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents [(i)]	**100,944**		111,024	
Trade and other receivables [(i)]	**73,756**		92,892	
Financial assets at fair value through other comprehensive income [(ii)]	**169**	**169**	546	546
Financial assets at fair value through profit or loss [(iii)]	**255**	**255**	774	774
Total financial assets	**175,124**		205,236	
Financial liabilities [(i)]				
Trade and other payables	**62,199**		90,593	
Interest bearing liabilities	**4,466**		2,185	
Total financial liabilities	**66,665**		92,778	

(i) The Group has not disclosed the fair values for cash and cash equivalents, trade and other receivables and financial liabilities as their carrying amounts are a reasonable approximation of fair values.
(ii) Financial assets at fair value through other comprehensive income include assets deemed Level 3 in the fair value hierarchy of nil (30 June 2015: nil). During the half-year ended 31 December 2015 an ASX listed investment held by the Group delisted; this brought about a reclassification of the asset from Level 1 at 30 June 2015 to Level 3 at 31 December 2015. At this point the asset was deemed to have nil value. All other items are deemed Level 1.
(iii) Financial assets at fair value through profit or loss includes assets deemed Level 3 in the fair value hierarchy of $0.250 million (30 June 2015: $0.766 million). All other items are deemed Level 1.

13. Progress claims in advance

	31 December 2015 $'000	30 June 2015 $'000
Construction work in progress comprises:		
Contract costs and net profits to date	**398,861**	359,564
Less: Progress billings	**(375,223)**	(379,648)
	23,638	(20,084)
Net construction work in progress comprises:		
Amounts due from customers – trade and other receivables	**33,551**	12,806
Amounts due to customers – trade and other payables	**(9,913)**	(32,890)
	23,638	(20,084)

14. Joint arrangements

During the half-year ended 31 December 2015 Sedgman Civmec Joint Venture ("SCJV") was established for the purpose of delivering a contract with BHP Billiton Iron Ore Pty Ltd to execute the Jimblebar engineering, procurement and construction expansion project.

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

15. Share-based payments

On 25 November 2009 the Group established a Long Term Incentive Plan (LTIP) that entitles Executives and other participants to receive performance rights in the Company. The terms and conditions of the LTIP programme for the current performance rights on issue are disclosed in the annual consolidated financial statements as at and for the year ended 30 June 2015.

The fair value of performance rights granted under Tranche 7 during the half-year ended 31 December 2015 of $0.5488 per right was measured using the Monte Carlo pricing model taking into account: the terms and conditions upon which the rights were granted, the current likelihood of achieving the specified targets, the share price at grant date of $0.84 per share, expected volatility of 50% and dividend yield of 10%.

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

2,961,000 equity-settled performance rights under Tranche 7 were granted on 27 November 2015 to Executives and senior management.

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

99,000 cash-settled performance rights under Tranche 7 were granted on 27 November 2015 to Executives and senior management.

(c) Expense recognised in profit or loss

During the half-year ended 31 December 2015 an expense of $0.618 million (2014: $0.149 million) was recognised by the Group in respect of the LTIP, for both equity-settled and cash-settled performance rights.

16. Events occurring after the balance sheet date

On 13 January 2016, CIMIC Group Investments Pty Ltd, the Company’s largest shareholder, and a wholly owned subsidiary of CIMIC Group Limited (“CIMIC”) launched an unsolicited and unconditional bid to acquire the balance of shares in Sedgman Limited. As at 5 February 2016, the last reported ownership balance of CIMIC in Sedgman Limited was 46.44%.

Other than the dividends declared and the associated changes to the Group’s banking arrangements (refer note 9) and the bid to acquire Sedgman Limited noted above, there has not arisen in the interval between the end of the half-year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

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

1. The condensed consolidated financial statements and notes that are set out on pages 8 to 19, are in accordance with the *Corporations Act 2001*, including:

    a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

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

Signed in accordance with a resolution of the directors.

Robert John McDonald
Chairman

Peter Richard Watson
Managing Director

Brisbane
11 February 2016

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

We have reviewed the accompanying interim financial report of Sedgman Limited, which comprises the condensed consolidated balance sheet as at 31 December 2015, condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sedgman Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Conclusion

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

a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Scott Guse
Partner

Brisbane
11 February 2016