Delta SBD Limited

ABN 18 127 894 893

Annual report
for the year ended 30 June 2016

safer better dependable

Contents

Corporate Directory

Directors	G Dawkins AMEME Hons *(Chairman, appointed 1 July 2016)*
	S Bizzaca B.AppSc *(Managing Director)*
	N McAlary B.Eng (Mining). MBus &Tech, 1st Class Mine Managers *(Chief Executive Officer)*
	G Garside FCPA, FAICD, JP *(Non-Executive Director)*
	G Galt B.Eng (Mining, Hons), B.Com, GDip App Fin (Finsia), MAusIMM, MAICD *(Chairman, retired 30 June 2016)*
Company Secretary	M Etcell B.Com, CA, MAICD
Principal registered office in Australia	Suite 220, 4 Hyde Parade Campbelltown NSW 2560
	Ph.: +61 2 4629 0300 Fax: +61 2 4629 0399
Share registry	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, NSW, 2000 Phone: 1300 737 760 enquiries@boardroomlimited.com.au
Auditor	Ernst & Young The EY Centre 200 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 2015/16 year are presented herein.

The year continued to be very difficult for Australia's coal industry, however there has been recent modest increases in prices for all export coal types over the past few months giving some relief to the industry. Producers are continuing to look at ways they can reduce operating and capital expenditure outlays - resulting in Delta SBD having fewer opportunities, lower margins and strong competition.

During the year some competitors ceased to be in business due to the financial pressures placed upon them, and it is a tribute to the management and workforce at Delta SBD in accepting and implementing the debt and cost reduction measures and workplace initiatives that have been put in place, thereby enabling Delta SBD to successfully retain and win new contracts with our clients throughout the year. A combination of all these factors has enabled us to increase our underlying profitability over the previous year.

Directors are pleased to report that we maintained a good safety performance this year. This has been achieved at a time where workforce numbers have been significantly reduced throughout the industry resulting in the focus on safety being challenged by job losses. The annual result demonstrates the attention that our workforce and management place on working safely

Since the end of the 2015/2016 year Delta SBD has also been successful in executing a major contract with Wollongong Coal for the total operation of the Wongawilli Mine located in the Wollongong Area. The Wollongong Coal contract enables Delta SBD to demonstrate its uniqueness over its competitors in having the experience and skills to manage and operate a complete mine.

There have been a number of Board and Executive Management changes during the year with Gordon Galt retiring from the position of Chairman, Steve Bizzaca stepping down from the role of Chief Executive Officer to Managing Director and Neville McAlary joining the Company as Chief Executive Officer. On behalf of all employees and shareholders, I would like to formally acknowledge the effort demonstrated by both Gordon and Steve in leading Delta SBD through what has been an unprecedented period for the industry and look forward to a bright future with Neville leading the operations of our Company. I also look forward, as Chairman, to building on the foundations set by Gordon, with an aim of sustaining profitability and employment of our workforce, with a clear view to achieve returns for our shareholders.

It is the Directors goal for Delta SBD to be viewed as a company that pays dividends and have set a target of 60% of underlying NPAT in future years. However the Directors are mindful that dividends can only be paid in periods where there is sufficient profit to enable the dividend to be paid without adversely impacting on the repayment of debt obligations and ongoing operational needs of the company. With this goal in mind the Directors have decided to declare a final dividend for the year of 0.8 cents per share payable in September 2016.

On behalf of the Board and shareholders, I would like to thank all employees, led by Stephen Bizzaca our Managing Director and Neville McAlary our CEO, for the significant contributions they have made to Delta SBD this year. We have worked closely and successfully with clients to overcome the challenges that the current market has thrust upon us, keeping our employees safe and largely profitably employed. I wish to thank all DSB shareholders for your support and believe sentiment and corporate valuation will improve with continued profitability. I look forward to reporting on further positive progress as the FY17 year unfolds.

Glyn Dawkins
Chairman, Delta SBD Ltd

Chief Executive Officer's Report

The FY2016 year followed the continuing decline of the coal mining industry and was another difficult, but successful year for Delta SBD Ltd (the Group or DSB). The resource sector, and particularly in the coal industry, continued to struggle with low pricing, forcing mine operators and key clients to continue their focus on cost cutting and minimizing contract work scopes.

Key operating and financial highlights are listed below:

FY2016 Operating Highlights

- Safety performance continues in the best quartile for the sector; however the Group's recordable injury frequency rate increased slightly over the past twelve months to 12.3 (per million work hours basis). Proactive safety initiatives have continued and are fundamental to this continued safety performance improvement. DSB are focusing their workers and supervisors to utilize risk management tools to identify hazards and prompt the use of additional controls to lower the risk of injury. This initiative will continue over the next 2 to 3 years and be complemented when new employees are inducted and exposed to the same safety skills.
- Specific and general mine contracting and support works continued at:
    - South 32's Appin mine
        - Roadway development
        - Secondary support and out-bye services
        - Longwall support services
        - Project works for conveyor belt installations and civil works
    - Peabody's Metropolitan mine
        - Secondary support and mine services
    - Longwall relocations support and services
        - Glencore's - Ulan West, Ulan #3 and South Blakefield mines,
        - Whitehaven's - Narrabri mine
        - Peabody's - Wambo mine
    - Development assistance at Whitehaven's Narrabri mine
    - Preproduction and general mine services work at Wollongong Coal's Wongawilli mine
    - Mine sealing and care and maintenance activities continued at Boral's Berrima mine
    - Supply of underground approved diesel equipment continues within the above works:
    - Supply of Delta Grid for longwall recovery at Peabody's North Goonyella and Glencore's West Wallsend mines.

2016 Financial Summary

- Underlying NPAT increased to $1.64 million (FY2015: $0.88 million)
- Revenue increased to $70.41 million (FY2015: $67.47 million)
- Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) increased to $4.03 million (FY2015: $3.45 million)
- Underlying EBITDA margin increased to 5.7% (FY2015: 5.1%)
- Net debt (interest bearing debt less cash equivalents) was maintained at $2.37 million (FY2015 $2.40 million).
- Cash, cash equivalents on hand at the end of the year totaling $3.0 million (FY2015: $3.1 million)
- Underlying Earnings per Share (EPS) of 3.43c (FY2015: 1.84c)
- Directors have declared a final dividend of 0.80 cents per share.

Detailed analysis of operations

DSB is one of Australia's largest underground coal mine contracting companies. DSB continues to provide outstanding services, through the required mining fundamentals of safety, experience and know how, to a strong client base. The DSB client base includes most of the major coal mining companies in Australia, and work scoped vary from the supply of supplementary labour through to whole of mine operations.

Chief Executive Officer's Report (continued)

The health and safety of our employees is a core value of the business, and in FY2016 there was an increase in TRIFR to 12.4. Each of the 9 recordable injury incidents were investigated to understand the root causes and reviewed to identify controls that would prevent recurrence. This confirms the continuing evolution of our safety behaviors' across the mines that DSB work. This safety journey continues with the engagement of DSB employees to implement risk based safety processes at the 'coal face'. At DSB pro-active safety initiatives remain a priority for all supervisors and workers, these initiatives can be as simple as a "Stop and Look" prior to commencing work or require the formal active participation is a risk assessment to evaluate a hazard prior to carrying out any works. This initiative will continue over the next 2-3 years and be complemented when new employees are inducted and exposed to the same safety skills.

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, ancillary services, conveyor installations and supplementary labour supply;
- Peabody's Metropolitan mine - secondary support and outbye services;
- Peabody's Wambo mine - two longwall moves and Metropolitan Mine – also two longwall moves
- Glencore's Ulan West, Ulan #3 and Blakefield mines – 3 longwall moves
- Whitehaven's Narrabri mine - 1 longwall move;
- Boral's Berrima mine - whole of mine operations (care and maintenance, closure activities)

New works and arrangements included:

- Supply of management, supervisors and equipment operators for preproduction and general mine services work at Wollongong Coal's Wongawilli mine
- Commencement of preparation of mining equipment for Wollongong Coal's Wongawilli mine
- Supply and installation of closure seals at Boral's Berrima mine.
- Supply of Delta Grid for longwall recovery at Peabody's North Goonyella and Glencore's West Wallsend mines.

During the FY2016 period the Group continued with the implementation of cash flow focus and minimising overheads to account for the slowdown in the sector. The Group's response has been to develop and offer reduced cost structures to our clients. This, on occasions, has resulted in DSB working with clients to develop the optimum solution to the issues at hand. The success of this strategy is reflected in continuing work at existing contracts and the award of new works and growing relationships with potential new clients. This new client base has works scheduled to commence in FY2017.

Looking ahead, the Group's current workbook for the next two years remains stable at $69 million, with the FY2017 portion of this workbook at $37 million. DSB executed a Supply Coal Agreement in July 2016 with Wollongong Coal and this contract includes DSB accepting mine wide control of Wongawilli mine in NSW and the supply of 1.45 million tonnes of coking coal over a 21-month period. Note: this supply agreement is not included in the workbook commentary above. Likewise, DSB awaits the outcome of retendering processes with some major clients.

Activity in the major tender/submission pipeline was initially quiet and commenced to increase late in the reporting period. What is encouraging is DSB continued working and engaging with Coal Mine operators to develop low cost coal production options, in the pretence of early engagement in costs or preliminary work proposals. DSB see the potential of this business development opportunity between $50 million and $150 million in potential revenue outcomes in the next 2-3 years. A number of these are remnant reserve mining opportunities, where DSB consider their ability and experience to be a unique offering that will result in a moderate to high potential of procuring these projects.

Neville McAlary
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 2016.

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 the date of this report are as follows:

- Glyn Dawkins (Chairman)
- Geoff Garside (Non-Executive Director)
- Steve Bizzaca (Managing Director)
- Neville McAlary (Chief Executive Officer)

Mr Gordon Galt retired as Director and Chairman of the Company, effective 30 June 2016.

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

Glyn Dawkins
Chairman
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:
- Member of the Risk Committee
- Member 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.

Directors' Report (continued)

Other current Directorships:
None.

Committees:
- Chair of the Audit and Compliance Committee
- Chair of the Risk Committee
- Chair of the Remuneration Committee

Stephen John Bizzaca
Managing Director
BAppSc
Director since 8 October 2007

Steve stood down from the role of CEO and Managing Director on 4 April 2016 and Neville McAlary took over in the role of CEO, while Steve has continued in the role of Managing Director.

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.

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.

Neville McAlary
Chief Executive Officer
B.Eng (Mining). MBus &Tech, 1st Class Mine Managers
Director since 4 April 2016

Experience and expertise:
Neville is a mining engineer and holds a 1st Class Mine Manager's certificate. He has extensive experience in underground coal operations and business management. With over 35 years' experience, Neville has held a number of senior and executive position with Glencore (Xstrata Coal) and Peabody in Australia. His experience includes operational management of an Australian mining contracting company in the 1990's and work with a number of international mining groups across the United States and South Africa. Neville has demonstrated a core focus on safety and has implemented significant safety improvement programs aimed at improving workforce education and awareness.

Other current Directorships:
None.

Company Secretary

Megan Etcell – 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' Report (continued)

Directors' Meetings

The number of formal 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:

	Board Meetings *		Board Committee Meetings: Audit & Compliance Committee Meetings		Board Committee Meetings: Remuneration Committee Meetings		Board Committee Meetings: Risk Committee Meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Glyn Dawkins	6	6	2	2	1	1	2	2
Geoff Garside	6	6	2	2	1	1	2	2
Stephen Bizzaca#	6	6	**	2	**	1	**	2
Neville McAlary#	2	3	**	1	**	-	**	2
Gordon Galt^	6	6	2	2	1	1	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 and N McAlary are not members of any Committee; however their attendance at Committee meetings is by invitation.
^ G Galt held the position of Chairman throughout the entire financial year but retired effective 30 June 2016.

The above schedule indicates formal meetings of the Board and does not include additional ad-hoc meetings held throughout the year to address various issues

Committee membership

As at the date of this report, the Board had an Audit & Compliance Committee, a Risk Committee and a Remuneration Committee. Due to the retirement of G Galt, effective 30 June 2016, G Garside is the Chairman of all Committees and G Dawkins is the only member.

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.

Directors' Report (continued)

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, Centennial, Glencore, Peabody, South32, Vale, Whitehaven and Wollongong Coal. 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 statutory profit from ordinary activities for the year ended 30 June 2016 of $1.17 million compared to a profit of $0.76 million in 2015.

Net cash outflows from operating, investing and financing activities were $0.10 million compared to net cash inflows of $1.55 million in 2015.

The net asset position of the Group at 30 June 2016 was $18.28 million (30 June 2015: $17.15 million) while net debt (interest bearing debt less cash equivalents) of the Group was reduced to $2.37 million (30 June 2015: $2.40 million).

Key operating highlights of FY2016 are outlined below:

- Safety performance continues in the best quartile, with total recordable injury frequency rate over the past twelve months to 12.5 (1,000,000 hours basis). Proactive safety measures remained key focus on all being undertaken;
- Specific and general mine contracting and support works continued at:
    - South 32's Appin mine
        - Roadway development
        - Secondary support and out-bye services
        - Longwall support services
        - Project works for conveyor belt installations and m ventilation
    - Peabody's Metropolitan mine
        - Secondary support and mine services
    - Longwall relocations support and services
        - Glencore's - Ulan West, Ulan #3 and South Blakefield mines,
        - Whitehaven's - Narrabri mine
        - Peabody's - Wambo mine
    - Development assistance at Whitehaven's Narrabri mine
    - Preproduction and general mine services work at Wollongong Coal's Wongawilli Mine
    - Mine sealing and care and maintenance activities continued at Boral's Berrima Mine
    - Supply of underground approved diesel equipment continues within the above works:
    - Supply of Delta Grid for longwall recovery at Peabody's North Goonyella and Glencore's West Wallsend mines.

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 FY16.

Business Strategy

The Group' 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** – utlise and distribute products that maintain safety and low costs.

Directors' Report (continued)

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
- to enable the improvement of shareholder wealth.

Outlook

Looking ahead, the Group's current workbook for the next two years remains stable at $69 million, with the FY2017 portion of this workbook at $37 million. DSB executed a Supply Coal Agreement in July 2016 with Wollongong Coal and this contract includes DSB accepting mine wide control of Wongawilli mine in NSW and the supply of 1.47 million tonnes of coking coal over a 21 month period. Note – this supply agreement is not included in the workbook commentary above. Likewise, DSB awaits the outcome of retendering processes with some major clients.

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Financial Review - Statutory Profit / (Loss)

A summary of the operating results is as follows:

	2016 $'000	2015 $'000	Up/(down)	Movement %
Statutory				
Revenue from ordinary activities	70,413	67,479	2,934	4%
EBITDA	3,068	3,417	(349)	(10%)
Profit/(loss) from ordinary activities after tax attributable to members (including significant items)	1,171	758	413	54%
Earnings per share (cents)	2.44	1.59	0.85	53%
Underlying*				
Revenue from ordinary activities	70,279	67,479	2,800	4%
EBITDA	4,028	3,457	571	17%
Underlying profit/(loss) from ordinary activities after tax attributable to members	1,644	878	766	87%
Underlying earnings per share (cents)	3.43	1.84	1.59	86%

* adjusted underlying profit/(loss) has been presented to assist in the assessment of the relative performance of the Group. To determine underlying net profits after tax, adjustments have been made including the write-off of Adani Tender costs (+$614k), settlement of other matters (-$7k), redundancy payments (+$37k), write-off of redundancy provision (-$487k) and impairment (+$316k). The underlying profit/(loss) is not subject to audit by the Group's external auditors.

Directors' Report (continued)

Dividends – Delta SBD Limited

No dividends were paid to members during the financial year ended 30 June 2016, however the Directors declared a fully franked final dividend of 0.80 cents per share, payable on 12 October 2016 to shareholders on the register as at 14 September 2016 (2015: nil).

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 – remuneration report (continued)

C. Remuneration Report (Audited)

The audited remuneration report for the year ended 30 June 2016 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 2016.

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 Chief Executive Officer (CEO), his direct management reports (collectively the executive KMP), the Managing Director (MD) and all 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, Chief Executive Officer and 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, Chief Executive Officer and other executive KMP;
- the terms and conditions of long-term incentives and short-term incentives for the Managing Director, Chief Executive Officer 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.

Directors' Report – remuneration report (continued)

(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 but they do not receive retirement benefits.

Use of remuneration consultants

During the 2016 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 FY2015 Annual General Meeting

The FY2015 remuneration report received positive shareholder approval at the 2015 year Annual General Meeting with a vote of 98.97% 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 2016 (with comparative data for 2015) were as follows:

	FY2016 ($)	FY2015 ($)
Position		
Chairman*	85,000	85,000
Other Non-executive Directors	55,250	55,250
Committee fees		
Committee chairman	5,100	5,100
Committee member	2,550	2,550

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

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.

Directors' Report – remuneration report (continued)

Executive KMP remuneration policy and overview of incentive plans

The executive pay and reward framework for Executive KMP may consist of the following 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.

(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 varies depending upon relative performance against Board approved targets which measure the Group's business unit and the individual 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 Chief Executive Officer and presented to the Remuneration Committee for consideration, adjustment and recommended for approval by the Board. The STIP measures for the Chief Executive Officer are set by the Remuneration Committee annually and approved by the Board. STIP measures for other executive KMP are set by the Chief Executive Officer.

The performance evaluation for the year ended 30 June 2016 has taken place in accordance with this process.

Directors' Report – remuneration report (continued)

(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.

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 Chief Executive Officer, as noted below.

Name	Title
David Roach	General Manager, HSC&E
Jim Richardson	General Manager, NSW North
Megan Etcell	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.

		Short Term					Post-Employment	Long Term				
		Salary	Directors fees	Committee fees	Nonmonetary benefits	Short Term Incentive Cash Bonus	Superannuation benefits	Long Term Incentive Shares Bonus	Long Service Leave	Termination Benefits	Total	Proportion of remuneration performance related
Name	**Year**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Non-Executive Directors												
G. Galt (1)	2016	-	85,000	-	-	-	-	-	-	-	85,000	-
	2015	-	85,000	-	-	-	-	-	-	-	85,000	-
G. Dawkins	2016	-	55,250	12,750	-	-	-	-	-	-	68,000	-
	2015	11,900	55,250	12,750	3,707	-	-	-	-	-	83,607	-
G. Garside (2)	2016	-	55,250	10,200	-	-	-	-	-	-	65,450	-
	2015	195,600	55,250	10,200	-	-	13,463	-	-	-	274,513	-
Executive Directors												
N. McAlary (3)	2016	80,769	-	-	-	9,844	7,673	-	-	-	98,286	10%
	2015	-	-	-	-	-	-	-	-	-	-	-
S. Bizzaca	2016	291,202	-	-	64,565	39,375	27,664	-	7,862	-	430,668	9%
	2015	265,141	-	-	62,406	57,512	25,188	-	7,952	-	418,199	13%
Other executive KMP												
D. Roach	2016	226,840	-	-	20,178	14,374	21,550		5,150	-	288,092	5%
	2015	222,560	-	-	19,503	18,031	21,143		5,136	-	286,373	6%
J. Richardson	2016	290,746	-	-	13,592	7,061	27,621	-	6,601	-	345,621	2%
	2015	285,260	-	-	13,137	24,251	27,100	29,516	6,583	-	385,847	6%
M. Etcell (4)	2016	163,680	-	-	-	-	-	-	-	-	163,680	-
	2015	28,800	-	-	-	-	-	-	-	-	28,800	-
N. Marvell	2016	267,487	-	-	-	35,438	25,411	-	7,222	-	335,558	11%
	2015	262,440	-	-	-	29,531	24,931	24,512	7,086	-	348,500	9%
A McFadden (5)	2016	-	-	-	-	-	-	-	-	-	-	-
	2015	79,593	-	-	3,541	-	6,756	-	2,008	-	91,898	-
T. Jackson (6)	2016	291,807	-	-	17,415	-	27,722	-	-	-	336,944	-
	2015	240,315	-	-	25,249	-	19,929	-	-	-	285,493	3%
Total	2016	1,612,531	195,500	22,950	115,750	106,092	137,641	-	26,835	-	2,217,299	5%
	2015	1,591,609	195,500	22,950	127,543	129,325	138,510	54,028	28,765	-	2,288,230	6%

(1) G Galt resigned from the role of Chairman and Director, effective 30 June 2016.

(2) G Garside held the role of Interim Finance Director and Company Secretary from 4 July 2014 until end April 2015.

(3) N McAlary commenced as Chief Executive Officer, in a full time capacity, effective 4 April 2016.

(4) M Etcell commenced as Chief Financial Officer and Company Secretary, in a part time capacity, effective 12 April 2015.

(5) A McFadden was made redundant on 24 September 2014 and received a refund of $98,846 relating to Long Service Leave reimbursement from the Coal Mines Coal Service Fund in FY2015.

(6) T Jackson ceased employment on 30 May 2016.

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:

	Short Term incentive bonus		
	Included in remuneration (A)	vested in year	forfeited in year (B)
Name	($)	%	%
Mr S Bizzaca	39,375	22%	78%
Mr N McAlary	9,844	22%	78%
Mr D Roach	14,374	28%	72%
Mr J Richardson	7,061	10%	90%
Mr N Marvell	35,438	54%	46%

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 2016 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, Chief Executive Officer and other executive KMP are formalised in employment agreements. Contracts with the Managing Director, Chief Executive Officer 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
Chief Executive Officer	
N. McAlary	Full Time. Ongoing commencing 4 April 2016.
Other executive KMP	
D. Roach	Full Time. Ongoing commencing 7 June 2010.
J. Richardson	Full Time. Ongoing commencing 28 August 2007.
M. Etcell	Part Time. Ongoing commencing 9 April 2015.
N. 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 the Managing Director, Chief Executive Officer, other executive KMP and other persons as nominated by the Board. The Chief Executive Officer recommends eligible employees who are entitled to participate in the scheme and seeks recommendation from 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.

Directors' Report – remuneration report (continued)

No shares were granted under the Company's LTIP during this financial year; however a number of shares under the program vested. The numbers of option holdings and shares, including shares and options held indirectly via the Delta SBD Employee Share Trust, for each director of Delta SBD Ltd and other executive KMP of the Group, including their personally related parties, are set out below.

Option holdings and shares held by key management personnel

	Held at 1 July 2015	Vested under LTIP (3)	Exercised during the year	Disposed / forfeited / expired	Other Changes	Held at 30 June 2016
Option holdings						
Non-Executive Directors						
G Galt (1)	2,500,000	-	-	(2,500,000)	-	-
Total	**2,500,000**	**-**	**-**	**(2,500,000)**	**-**	**-**
Shares held in Delta SBD Ltd						
Non-Executive Directors						
G. Galt	73,432	-	-	-	-	73,432
G. Garside	-	-	-	-	-	-
G. Dawkins	12,889,303	-	-	-	-	12,889,303
Executive Director						
S Bizzaca	17,124,503	-	-	-	206,161	17,330,664
N. McAlary (2)	-	-	-	-	-	-
Other executive KMP						
D. Roach	179,097	-	-	(179,097)	-	-
J. Richardson	474,971	510,071	-	-	-	985,042
M. Etcell	-	-	-	-	-	-
N. Marvell	521,215	434,418	-	-	-	955,633
T. Jackson (4)	442,731	-	-	-	(442,731)	-
Total	**31,705,252**	**944,489**	**-**	**(179,097)**	**(236,570)**	**32,234,074**

(1) Options held beneficially via New Holland Capital. Refer note 22.

(2) Under the terms of employment, N. McAlary is entitled to receive long term incentives equivalent to1,500,000 fully paid ordinary shares in the Company, subject to certain vesting conditions being met. The shares associated with this entitlement have not yet been granted, as such there is no financial information in respect of these shares disclosed within this financial report. Vesting conditions attached to these shares are as follows:

No. of Shares	Vesting Date	Vesting Conditions (subject to CEO being an employee)
500,000	Third anniversary of employment	Average growth in underlying earnings per share (UEPS) of 50% pa from commencement to third anniversary of employment.
500,000	Fourth anniversary of employment	40% UEPS growth in fourth year of employment.
500,000	Fifth anniversary of employment	30% UEPS growth in fifth year of employment.

(3) The terms and conditions of shares vested in the current 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

(4) T. Jackson ceased employment on 30 May 2016.

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:

	2016	2015
	$	$
Dawkins Enterprises Pty Ltd (1)	**289,982**	289,982
Titanwood Holdings Pty Ltd (2)	**338,344**	338,344
	628,326	628,326

(1) Interest bearing secured loan from Dawkins Enterprises Pty Ltd to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Non-Executive Director, Glyn Dawkins.
(2) Interest bearing secured loan from Titanwood Holdings Pty Ltd to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Managing Director, Stephen Bizzaca.

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

	2016	2015
	$	$
Dawkins Enterprises Pty Ltd (1)	**28,205**	28,128
Titanwood Holdings Pty Ltd (2)	**32,905**	32,815
Titanwood Holdings Pty Ltd (3)	**-**	17,369
	61,110	78,312

(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 secured loan entered into on 6 June 2014 for $650,000 and repaid in full in September 2014. Applicable interest rate was 13.00% fixed.

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 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 are included in note 26 of the Financial Report.

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.

Directors' Report (continued)

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.

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 2016 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 Dawkins
Chairman
Sydney, 31 August 2016

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

As lead auditor for the audit of Delta SBD Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Scott Jarrett
Partner
Sydney
31 August 2016

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 2016.

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 2016		**30 June 2015**	
	Female (%)	**Male (%)**	**Female (%)**	**Male (%)**
Board representation (1)	0%	100%	0%	100%
Key management personnel representation	25%	75%	25%	75%
Group representation	3%	97%	3%	97%

(1) There are no female Directors, however the role of Chief Financial Officer and 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 and Chief Executive Officer is reviewed annually by the Board. The performance of other executive KMP is conducted regularly by the Chief Executive Officer during the year, with a formal process conducted once a year by the Remuneration Committee. The annual formal performance assessments occur in July each year.

Further details of how the Company assesses the performance of the Managing Director, Chief Executive Officer 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:

- Glyn Dawkins (Chairman, not independent)
- Geoff Garside (Independent Non-Executive Director)
- Stephen Bizzaca (Managing Director)
- Neville McAlary (Chief Executive Officer)

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 2016 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 2015/2016 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	3	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, and the Company's governance framework requires each Director to promptly disclose actual and possible conflicts of interest, any interests in contracts, other directorships or offices held, related party transactions and any dealing in the Company's securities.

At least one Director must retire from office at each Annual General Meeting and no Non-Executive Director can serve more than three years without offering themselves for re-election.

During the 2015/2016 year the Company had two independent and two non-independent Directors on the Board, therefore did not comply with *ASX Recommendation 2.4*. Since the retirement of Gordon Galt, effective 30 June 2016, the Board now only has one independent Director and is therefore assessing the composition of the Board.

Role of Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are exercised by separate individuals *(ASX Recommendation 2.5).*

During the year the Chairman of the Board was Gordon Galt, but following his retirement on 30 June 2016, the role of Chairman is now held by Glyn Dawkins. The Chairman of the Board is responsible for leadership of the Board and for the efficient organisation and functioning of the Board. The Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and 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 roles of Chairman and Chief Executive Officer are not exercised by the same person and the division of responsibilities between the Chairman and Chief Executive Officer have been agreed by the Board and are set out in the Board Charter and Delta's Delegations Policy.

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.

Corporate Governance Statement (continued)

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. The Audit Committee currently comprises Geoff Garside as Chairman (Independent) and Glyn Dawkins as a member (not independent).

The Audit Committee is chaired by an independent Non-executive Director, as recommended by *ASX Recommendation 4.1*; however since the retirement of the Company's Chairman, Gordon Galt, on 30 June 2016, it is not possible for any of the Board Committees to have a majority of independent members given the current structure of the Board. This matter is currently being assessed by the Board and it is the Board's intention to take into consideration the ASX Principles and Recommendations in respect of independence when considering its future composition.

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 Executive Officer, Chief Financial Officer and the Company's external auditors are invited to attend the Audit Committee meetings.

Assurance by the Chief Executive Officer and Chief Financial Officer

The Board receives assurances from the Chief Executive Officer 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).

Corporate Governance Statement (continued)

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.

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 currently comprises Geoff Garside as Chairman (Independent) and Glyn Dawkins as a member (not independent).

The Risk Committee is chaired by an independent Non-executive Director, as recommended by *ASX Recommendation 7.1*; however since the retirement of the Company's Chairman, Gordon Galt, on 30 June 2016, it is not possible for any of the Board Committees to have a majority of independent members given the current structure of the Board. This matter is currently being assessed by the Board and it is the Board's intention to take into consideration the ASX Principles and Recommendations in respect of independence when considering its future composition.

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, Chief Executive Officer 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 27 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).

Corporate Governance Statement (continued)

The Chief Executive Officer 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.

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 currently comprises Geoff Garside as Chairman (Independent) and Glyn Dawkins as a member (not independent).

The Remuneration Committee is chaired by an independent Non-executive Director, as recommended by *ASX Recommendation 8.1*; however since the retirement of the Company's Chairman, Gordon Galt, on 30 June 2016, it is not possible for any of the Board Committees to have a majority of independent members given the current structure of the Board. This matter is currently being assessed by the Board and it is the Board's intention to take into consideration the ASX Principles and Recommendations in respect of independence when considering its future composition.

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 once per year. The Managing Director, Chief Executive Officer 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.

Delta SBD Limited ABN 18 127 894 893

Annual financial report – 30 June 2016

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 22, which is not part of these financial statements.

The financial report of Delta SBD Ltd for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of Directors on 31 August 2016. 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.

	Notes	2016 $'000	2015 $'000
Continuing operations			
Revenue		**70,413**	67,479
Gain on sale of assets		**16**	365
Reversal of impairment losses	9	**995**	-
Employee benefits expense		**(59,747)**	(57,805)
Materials and consumables		**(3,666)**	(3,018)
Other expenses		**(3,129)**	(3,238)
Impairment - Property, Plant and Equipment	9	**(1,311)**	-
Depreciation, including write off		**(1,606)**	(1,788)
Intangibles amortisation		**(84)**	(62)
Results from operating activities		**1,881**	1,933
Finance income	4	**10**	15
Finance costs	4	**(771)**	(1,271)
Net finance costs		**(761)**	(1,256)
Profit before income tax		**1,120**	677
Income tax benefit	5	**51**	81
Profit from continuing operations		**1,171**	758
Other comprehensive income		**-**	-
Total comprehensive profit income for the period		**1,171**	758
		Cents	**Cents**
Basic Earnings per share	18	**2.44**	1.59
Diluted Earnings per share	18	**2.44**	1.59

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

	Notes	2016	2015
		$'000	**$'000**
Assets			
Cash and cash equivalents	6	**3,020**	3,116
Trade and other receivables	7	**13,239**	12,118
Inventories		**758**	700
Other current assets	8	**131**	195
Total current assets		**17,148**	16,129
Property, plant and equipment	9	**14,445**	14,057
Intangible assets	10	**24**	763
Deferred Tax Assets	13	**2,113**	1,500
Other non-current assets	8	**88**	152
Total non-current assets		**16,670**	16,472
Total Assets		**33,818**	32,601
Liabilities			
Trade and other payables	11	**4,305**	4,362
Loans and borrowings	12	**4,700**	4,837
Employee benefits	14	**4,193**	4,349
Current tax payable	13	**-**	66
Total current liabilities		**13,198**	13,614
Loans and borrowings	12	**694**	667
Employee benefits	14	**60**	150
Deferred tax liabilities	13	**1,582**	1,020
Total non-current liabilities		**2,336**	1,837
Total liabilities		**15,534**	15,451
Net assets		**18,284**	17,150
Equity			
Share capital	15	**37,533**	37,533
Reserves	19	**2,878**	2,915
Retained earnings		**(22,127)**	(23,298)
Total equity		**18,284**	17,150

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

	Attributable to the owners of Delta SBD Ltd			
	Share capital	Options reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2014	**37,533**	**2,832**	**(24,056)**	**16,309**
Profit	-	-	758	758
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	758	758
Transactions with owners, recorded directly in equity				
Share based payment transactions	-	83	-	83
Balance at 30 June 2015	**37,533**	**2,915**	**(23,298)**	**17,150**
Profit	-	-	1,171	1,171
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,171	1,171
Transactions with owners, recorded directly in equity				
Share based payment transactions	-	(37)	-	(37)
Balance at 30 June 2016	**37,533**	**2,878**	**(22,127)**	**18,284**

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

	Notes	2016	2015
		$'000	**$'000**
Cash flows from operating activities			
Cash receipts from customers		**69,276**	68,338
Cash paid to suppliers and employees		**(66,249)**	(65,986)
Cash generated from operations		**3,027**	2,352
Interest received		**10**	15
Interest paid		**(771)**	(1,270)
Income taxes (paid)/received		**(66)**	351
Net cash used in operating activities	17	**2,200**	1,448
Cash flows from investing activities			
Proceeds from sale of assets		**18**	10,596
Acquisition of property, plant and equipment		**(2,310)**	(235)
Acquisition of intangibles		**-**	(715)
Net cash from/(used in) investing activities		**(2,292)**	9,646
Cash flows from financing activities			
Proceeds from repayment of employee share loans		**42**	52
Refunds from non-current security deposits		**64**	40
Payment of hire purchase loan liabilities and finance facility		**(82)**	(8,986)
Repayment of loans from shareholders		**-**	(636)
Payment of finance lease liabilities		**(28)**	(12)
Net cash used in financing activities		**(4)**	(9,542)
Net (decrease)/increase in cash and cash equivalents		**(96)**	1,552
Cash and cash equivalents at the beginning of the financial year		**3,116**	1,564
Cash and cash equivalents at the end of the financial year		**3,020**	3,116

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

Contents of the notes to the financial report

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 2016.

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. 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.

(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 2016. Delta SBD and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

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.

(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.

(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 assets and liabilities are measured at the amount of income taxes payable or recoverable in respect of the taxable profit of tax loss for the period. It is calculated using tax rates and tax laws that have been substantively enacted by the reporting date.

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;

1 Summary of significant accounting policies (continued)

- 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.

(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.

1 Summary of significant accounting policies (continued)

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.

(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 de-recognises 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.

1 Summary of significant accounting policies (continued)

Non-derivative financial assets comprise trade and other receivables, cash and cash equivalents and non-current security deposits.

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 de-recognises 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.

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.

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.

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 outlined on the following page:

1 Summary of significant accounting policies (continued)

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

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.

(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.

1. Summary of significant accounting policies (continued)

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.

(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 dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, 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.

1 Summary of significant accounting policies (continued)

(s) Rounding of amounts

The company is of a kind referred to in Class Order 2016/191, 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 assets and 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).

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 22 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.

1. Summary of significant accounting policies (continued)

(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 2016 of $1.12 million. The directors have prepared detailed cash flow forecasts for the 18 month period from 1 July 2016. 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

In the current year, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015.

The new and revised standards adopted by the Group for is annual reporting period beginning on 1 July 2015 is *AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*, which completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that standard to effectively be withdrawn. The adoption of this standard has not resulted in any impact to the financial reporting of the Group.

(w) New accounting standards and interpretations not yet adopted

The following recently issued standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report.

- *AASB9 Financial Instruments* becomes mandatory for the Group's 2019 Financial Report and includes changes to the classification and measurement of financial assets including a new expected credit loss model for calculating impairment. It also includes the new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.
- *AASB15 Revenue from Contracts with Customers* becomes mandatory for the Group's 2019 Financial Report and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and replaces *AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for Construction of Real Estate, Interpretation 18 Transfer of Assets from Customers and Interpretation 131 Revenue-Barter Transactions involving Advertising Services*. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.
- *AASB 16 Leases* becomes mandatory for the Group's 2020 Financial Report and removes the classification of leases between finance and operating leases effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

The Group has not yet determined the potential effect of these standards on the Group's future Financial Reports.

2. Critical accounting estimates and assumptions

Revenue Recognition

Determining the stage of completion requires an estimate of expenses incurred to date as a percentage of total estimated costs. Where there are variations and claims made to contracts, assumptions are made regarding the probability that the customer will approve the variations and claims and the amount of revenue that will arise. Changes in these estimation methods could have a material impact on the financial statements of Delta.

Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences to the extent it is probable that sufficient future taxable profits will be available to utilise them. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

2. Critical accounting estimates and assumptions

Tender costs

The Group prepares tenders for its clients on a regular basis and judgement is exercised in determining whether it is probable that the contract will be awarded. Where costs are capitalised, the Group's 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. Given this, an error in judgement may result in capitalised tender / bid costs being recognised as an expense in the following financial year.

Impairment of assets

Determination of potential impairment requires an estimation of the recoverable amount of the particular assets and/or a group of assets. Where impairment indicators are evident, the Group engages the services of an external professional valuer to appraise relevant plant and equipment of a material nature and provide an independent valuation.

The Group relies on the expertise of the valuer to ascertain and report their independent professional opinion of asset values however management applies judgement to determine whether any impairment is required to be recorded against profit or loss.

Annual leave and long service leave

Long-term employee benefits are measured at the present value of estimated future payments for the services provided by employees up to the end of the reporting period. This calculation requires judgement in determining the following key assumptions:

- Future increase in wages and salary rates;
- Future on-cost rates; and
- Expected settlement dates based on historical staff turnover rates.

The liability is discounted using the Australian corporate bond rates which most closely match the terms to maturity of the entitlement.

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):

			Percentage Owned*	
Name of Entity	**Country of incorporation**	**Principal Activity**	**2016**	**2015**
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. Finance income and finance costs

	2016	2015
	$'000	**$'000**
Finance income		
Interest income	**10**	15
Finance costs		
Interest expense on financial liabilities measured at amortised cost	**(771)**	(1,271)
Net finance costs recognised in profit or loss	**(761)**	(1,256)

5. Income tax expense

	2016	2015
	$'000	**$'000**
(a) Income tax expense		
Current tax expense	**49**	66
Deferred tax expense - origination and reversal of temporary differences	**(122)**	(29)
Adjustment for prior periods	**22**	(118)
Total income tax benefit	**(51)**	(81)

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

	2016	2015
	$'000	**$'000**
Profit/(Loss) before income tax	**1,120**	677
Income tax expense/(benefit) using the domestic tax rate of 30%	**336**	203
Increase in income tax due to:		
Non-deductible expenses	**95**	-
Decrease in income tax due to:		
De-recognition of tax losses	**(504)**	(88)
Other deductible expenses		(78)
Under/(over) provided in prior years	**22**	(118)
Total income tax benefit	**(51)**	(81)

6. Current assets – Cash and cash equivalents

	2016	2015
	$'000	**$'000**
Cash at bank and in hand	**3,020**	3,116
Total cash and cash equivalents in the statement of cash flows	**3,020**	3,116

7. Current assets – Trade and other receivables

	2016	2015
	$'000	$'000
Current		
Trade receivables	**11,772**	11,875
Loans to related parties	**-**	79
Amounts due from customers for contracts (work in progress)	**1,467**	164
Total current trade and other receivables	**13,239**	12,118

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 $1,467,000 (2015: $164,000) receivable for construction contracts for services performed at 30 June 2016 for which an invoice has not been raised. This amount is disclosed net of GST.

8. Other current assets

	2016	2015
Current	$'000	$'000
Prepaid insurance	**58**	128
Other	**73**	67
Total other current assets	**131**	195

	2016	2015
Non-current	$'000	$'000
Security Deposits	**88**	152
Total other non-current assets	**88**	152

9. 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
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
As at 30 June 2015					
Cost	24,508	8,814	202	587	34,111
Accumulated depreciation and impairment	(15,774)	(3,567)	(180)	(533)	(20,054)
Net book amount	8,734	5,247	22	54	14,057
Year ended 30 June 2016					
Opening net book amount	8,734	5,247	22	54	14,057
Additions	2,230	-	63	17	2,310
Reversal of impairment losses(1)	995	-	-	-	995
Disposals & write offs	(61)	-	(14)	-	(75)
Depreciation charge	(1,135)	(362)	3	(37)	(1,531)
Impairment (2)	(1,311)	-	-	-	(1,311)
Transfers	4,885	(4,885)	-	-	-
Closing net book amount	14,337	-	74	34	14,445
At 30 June 2016					
Cost	35,491	-	251	604	36,346
Accumulated depreciation and impairment	(21,154)	-	(177)	(570)	(21,901)
Net book amount	14,337	-	74	34	14,445

(1) For the year ended 30 June 2016, the Group obtained an independent third party valuation based on market value. The valuation identified a significant increase in value for one item of property, plant and equipment previously impaired in 2014 resulting in a reversal of impairment to the value of $995,000 being recorded in the consolidated statement of profit or loss.

(2) The independent third party valuation indicated that the market value of some plant and equipment acquired was less than the carrying value resulting in an impairment charge of $1,311,000 being recorded in the consolidated statement of profit or loss.

10. Non current assets – Intangible assets

Consolidated	Business systems cost	Development costs [1]	Total
	$'000	$'000	$'000
Year ended 30 June 2015			
Opening net book amount	110	-	110
Additions	47	667	714
Amortisation	(61)	-	(61)
Closing net book amount	96	667	763
As at 30 June 2015			
Cost	517	667	1,184
Accumulated depreciation	(421)	-	(421)
Net book amount	96	667	763
Year ended 30 June 2016			
Opening net book amount	96	667	763
Additions	-	-	-
Amortisation	(72)	(14)	(86)
Impairment loss	-	(653)	(653)
Closing net book amount	24	-	24
At 30 June 2016			
Cost	517	14	531
Accumulated amortisation	(493)	(14)	(507)
Net book amount	24	-	24

(1) Development costs include an amount of $653,000 in relation to contractor and internally incurred costs associated with the Adani Carmichael Project tender has been fully written off in the current year.

11. Current liabilities – Trade and other payables

	2016	2015
	$'000	$'000
Trade payables	**3,494**	2,724
Other payables and accrued expenses	**811**	1,638
	4,305	4,362

12. 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	2016 $'000	2015 $'000
Current			
Hire purchase loans [1]		**41**	815
Finance Facility	20(c)	**4,659**	4,022
Total current loans and borrowings		**4,700**	4,837
Non-current			
Hire Purchase loans [1]		**66**	39
Loans from shareholders	20(c), 23	**628**	628
Total non-current loans and borrowings		**694**	667

The hire purchase liabilities are fixed interest liabilities with an average interest rate of 4.88% p.a. (2015 5.58% p.a.) and contractual terms of up to five years.

13. Tax assets and liabilities

Current tax assets and liabilities

The consolidated entity's net current tax liability of $nil (2015: $66,000 net tax asset) represents the amount of income tax payable (2015: receivable) in respect of current and prior periods that arise from the payment of tax in deficit (2015: surplus) of the amounts due to the relevant tax authorities.

Recognised deferred tax assets and liabilities

	2016 $'000	2015 $'000
Deferred tax asset		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**10**	19
Employee provisions	**904**	982
Other accruals	**35**	208
Tax losses recognised	**1,164**	291
Total deferred tax assets	**2,113**	1,500

	2016 $'000	2015 $'000
Deferred tax liability		
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**1,509**	919
Employee provisions	**8**	-
Inventory	**65**	101
Total deferred tax liabilities	**1,582**	1,020

13. Tax assets and liabilities (continued)

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:

	2016 $'000	2015 $'000
Deductible temporary differences	**388**	145
Tax losses	**890**	2,182
	1,278	2,327

Tax losses do not expire under the current tax legislation.

14. Employee benefits

	2016 $'000	2015 $'000
Current		
Liability for employee entitlements	**4,193**	4,349
Non-current		
Liability for employee entitlements	**60**	150

Superannuation contributions for the year amounted to $3,880,000 (2015: $4,020,000). These contributions have been included in employee benefits expense.

15. Contributed Equity

	2016 $'000	2015[(1)] $'000
a) Share capital		
Authorised, issued and fully paid up ordinary shares 48,693,393 (2015: 47,628,648)	**37,533**	37,533

	2016 No. of shares	2015 No. of shares
b) Movements in shares on issue		
Beginning of the period	**47,628,648**	47,628,648
Ordinary shares		
− Issue pursuant to the Delta Employee Share Plan (14 December 2015)	**31,139**	-
− Issue pursuant to the Delta Employee Share Plan (10 March 2016)	**1,033,606**	-
Total	**48,693,393**	47,628,648

(1) The Audited 2015 Accounts were 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.

15. Contributed Equity

As announced to the ASX on 26 August 2016, the Company issued 6,075,000 fully paid ordinary shares to The Collins Street Value Fund at a share price of 12.5 cents per share. The shares issued rank equally with existing shares and the total number of shares in the Company will increase from 48,693,393 to 54,768,393 as a result of the transaction.

16. Dividends

No dividends were declared and paid by the Group in 2016.

Declared after the end of year

The Directors declared a dividend of 0.80 cents per share in respect of the 2016 financial year (2015: nil).

Dividend franking Account

	2016	2015
	$'000	**$'000**
30% franking credits available for subsequent financial years – Group	2,544	2,544
30% franking credits available for subsequent financial years – Company	316	316

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.

17. Reconciliation of cash flows from operating activities

	2016	2015
	$'000	**$'000**
Profit for the year	**1,171**	758
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation	**1,606**	1,631
Amortisation of intangible assets	**84**	62
Impairment of property, plant and equipment	**316**	-
(Profit) on sale of property plant and equipment	**(16)**	(208)
Income tax expense	**(51)**	(81)
Intangible write off	**653**	352
Net cash provided by operating activities before change in assets and liabilities	**3,763**	2,514
Change in operating assets and liabilities		
Change in trade and other receivables	**(1,267)**	810
Change in inventories	**(58)**	163
Change in trade and other payables	**(57)**	(1,329)
Change in other assets	**64**	50
Change in employee benefits	**(245)**	(760)
Net cash from operating activities	**2,200**	1,448

18. Earnings per share

The calculation of basic earnings per share at 30 June 2016 was based on the profit attributable to ordinary shareholders of $1,120,000 (2015: profit of $758,000) and a weighted average number of ordinary shares outstanding of 48,693,393 (2015: 47,628,648), calculated as follows:

	Consolidated	
	2016	2015
	Cents	Cents
1. Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**2.44**	1.59
Total basic loss per share attributable to the ordinary equity holders of the company	**2.44**	1.59
2. Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**2.44**	1.59
Total diluted loss per share attributable to the ordinary equity holders of the company	**2.44**	1.59

3. Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2016	2015
	$'000	$'000
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**1,171**	758
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**1,171**	758

4. Weighted average number of shares used as the denominator

	Consolidated	
	2016	2015
	Number	Number
	'000	'000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**47,963**	47,628
Adjustments for calculation of diluted earnings per share		
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**47,963**	47,628

19. Share options reserve

	2016	2015
	$'000	$'000
Balance as at 1 July	**2,915**	2,832
Share based payment expense	**(37)**	83
Balance as at 30 June	**2,878**	2,915

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.

20. 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 83% of the Group's revenue is attributable to sales transactions with three customers (2015: 82% and three customers). These customers for financial year 2016 and 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.

20. Financial Instruments (continued)

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 97% (2015: 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.

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	**2016**	**2015**
		$'000	**$'000**
Cash & cash equivalents	6	**3,020**	3,116
Other non-current assets		**88**	152
Trade Receivables	7	**11,772**	11,874
Loans to related parties	7	**-**	79
Amounts due from customers for contracts	7	**1,467**	164
Total trade, other and related party receivables		**13,239**	12,117
		16,347	15,385

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

	Gross 2016	**Impairment 2016**	**Gross 2015**	**Impairment 2015**
	$'000	**$'000**	**$'000**	**$'000**
Not due	**6,934**	**-**	7,378	-
Past due 0 to 30 days	**4,337**	**-**	3,565	-
Past due 31 to 90 days	**1,268**	**-**	603	-
Past due 91 to 180 days	**700**	**-**	571	-
More than 181 days	**-**	**-**	-	-
	13,239	**-**	12,117	-

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.

20. Financial Instruments (continued)

c) 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 Scottish Pacific 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. Scottish Pacific has a fixed and floating charge over the assets of the Group as security for this facility. As at reporting date the facility had been fully drawn.

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

30 June 2016	Carrying amount 2016	Contractual cash flows	Less than one year	1-5 years
	$'000	$'000	$'000	$'000
Finance Facility	4,659	4,659	4,659	-
Trade and other payables	4,305	4,305	4,305	-
Hire purchase obligations	107	113	55	58
Loans from shareholders	628	628	-	628
	9,699	9,705	9,019	686

30 June 2015	Carrying amount 2015	Contractual cash flows	Less than one year	1-5 years
	$'000	$'000	$'000	$'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
Loans from shareholders	628	628	-	628
	9,866	9,875	9,207	668

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

20. Financial Instruments (continued)

d) 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.

e) 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	
	2016	**2015**
	$'000	**$'000**
Fixed rate instruments		
Financial assets	**88**	152
Financial liabilities	**(735)**	(1,481)
	(647)	(1,329)
Variable rate instruments		
Financial assets	**3,020**	3,116
Financial liabilities	**(4,659)**	(4,022)
	(1,639)	(906)

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 $5,000 (2015: $22,000) .

A change of 100 basis points in interest rates would have increased or decreased the Group's equity, excluding retained earnings by $nil (2015: $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 2016.

	Profit or loss after tax		Equity (excluding retained earnings)	
30 June 2016	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
	$'000	**$'000**	**$'000**	**$'000**
Variable rate instruments	50	(50)	-	-

	Profit or loss after tax		Equity (excluding retained earnings)	
30 June 2015	**100bp increase**	**100bp decrease**	**100bp increase**	**100bp decrease**
	$'000	**$'000**	**$'000**	**$'000**
Variable rate instruments	50	(50)	-	-

20. Financial Instruments (continued)

f) 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	
	2016	**2015**
	$'000	**$'000**
Total liabilities	**15,534**	15,452
Less: cash and cash equivalents and non-current deposits	**(3,108)**	(3,268)
Net debt	**12,426**	12,184
Total equity	**18,284**	17,150
Net debt-to equity ratio at 30 June	**68%**	71%

g) 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 2016		30 June 2015	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	$'000	**$'000**	**$'000**	**$'000**
Assets carried at amortised cost				
Loans and receivables	**13,239**	**13,239**	12,118	12,118
Cash and cash equivalents and non-current deposits	**3,108**	**3,108**	3,268	3,268
	16,347	**16,347**	15,386	15,386
Liabilities carried at amortised cost				
Trade and other payables	**4,305**	**4,305**	4,362	4,362
Hire purchase obligations	**107**	**107**	853	853
Finance facility liabilities	**4,659**	**4,659**	4,022	4,022
Loans from shareholders	**628**	**628**	627	627
	9,699	**9,699**	9,864	9,864

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

20. 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:

	2016	2015
Loans and borrowings	**4.9%**	5.6%
Hire purchase finance and leases	**4.9%**	5.6%

21. Operating leases

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

	2016	2015
	$'000	$'000
Less than one year	**218**	240
Between one and five years	**28**	142
	246	382

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 2016 $347,000 was recognised as an expense in profit or loss in respect of operating leases (2015: $358,000).

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.

22. Share-based payments

a) Advisory

A number of share options, issued to advisors in consideration for providing various advisory services to the Company on initial quotation to the ASX, expired during the year. Details of these options are noted below.

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 (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	4 years after quotation on the ASX - 20 December 2015 (EXPIRED)
Sydney Capital Partners	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 (EXPIRED)

22. Share-based payments (continued)

Details of the number of share options:

	Number of options
Outstanding at the beginning of the period	3,125,000
Granted during the period	-
Expired during the period	(3,125,000)
Outstanding at the end of the period	-

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.

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.

No shares were granted under the Company's LTIP during this financial year; however a number of shares under the program vested, refer to the Remuneration Report on page 12 for further details.

23. Related party transactions

Key management personnel compensation

Key management personnel compensation comprised:

	2016	2015
	$'000	$'000
Short-term employee benefits	2,053	2,067
Long-term employee benefits	27	29
Long-term incentive plan	-	54
Post-employment benefits	138	138
Termination benefits	-	-
	2,218	2,288

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.

23. Related party transactions (continued)

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

	2016	2015
	$	**$**
Dawkins Enterprises Pty Ltd (1)	**289,982**	289,982
Titanwood Holdings Pty Ltd (2)	**338,344**	338,344
	628,326	628,326

(1) Interest bearing secured loan from Dawkins Enterprises Pty Ltd to provide working capital to the Group. Dawkins Enterprises Pty Ltd is an entity controlled by Non-Executive Director, Glyn Dawkins.
(2) Interest bearing secured loan from Titanwood Holdings Pty Ltd to provide working capital to the Group. Titanwood Holdings Pty Ltd is an entity controlled by Managing Director, Stephen Bizzaca.

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

	2016	2015
	$	**$**
Dawkins Enterprises Pty Ltd (1)	**28,205**	28,128
Titanwood Holdings Pty Ltd (2)	**32,905**	32,815
Titanwood Holdings Pty Ltd (3)	**-**	17,369
	61,110	78,312

(1) Interest paid to Dawkins Enterprises on working capital loan disclosed above. The interest rate is 9.70% (2015: 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% (2015: 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 secured loan entered into on 6 June 2014 for $650,000 and repaid in full in September 2014. Applicable interest rate was 13.00% fixed.

23. Related party transactions (continued)

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	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Titanwood Holdings Pty Ltd (1)	**60,000**	60,000	-	-
Dawkins Enterprises Pty Ltd (2)	**-**	11,900	-	-
Total	**60,000**	71,900	-	-

(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 was extended for a further 4 year period based on the same terms and conditions and expired on 2 April 2016. The arrangement now continues on a month to month basis.

(2) The Group 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.

24. 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.

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

- whole of mine operations
- whole of mine care and maintenance
- roadway development
- board and pillar extraction
- mine service
- secondary support installation
- excavation
- ventilation device installation
- services/utility installation/recovery
- longwall relocations and support
- conveyor installations and maintenance
- plant hire and maintenance
- mining products
- 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 $57.04 million (83%) of total revenue (2015: $55.41 million (82%).

25. 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.

26. Auditor's Remuneration

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

	2016	2015
	$'000	$'000
Audit services		
Audit and review of financial statements (EY Australia)	**104**	130
Taxation services	**14**	-
Total	**118**	**130**

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.

27. Parent Entity Disclosure

As at, and throughout, the financial year ended 30 June 2016 the parent company of the Group was Delta SBD Limited.

	Company	
	2016	**2015**
	$'000	$'000
Result in parent entity		
(Loss)/Profit for the period	(230)	250
Other comprehensive income	-	-
Total comprehensive income for the period	(230)	250
Financial position of parent entity at year end		
Current assets	215	163
Total assets	23,105	18,493
Current liabilities	1,193	1,298
Total liabilities	1,291	1,343
Net Assets	21,814	17,150
Total equity of the parent entity comprising of		
Share Capital	37,533	37,534
Options reserve	2,878	2,915
Retained profits/(losses)	(18,597)	(23,299)
Total Equity	21,814	17,150

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 25.

28. 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 2016 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.*

Glyn Dawkins
Chairman
Sydney
31 August 2016

Building a better working world

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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 2016, the consolidated statement of profit or loss and other 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.

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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 2016 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 pages 13 to 20 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Scott Jarrett
Partner
Sydney
31 August 2016

Shareholder information for listed public companies

The shareholder information set out below was applicable as at 21 August 2016.

A. Distribution of equity securities

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

Category	Number of shareholders
1 – 1,000	51
1,001 – 5,000	141
5,001 – 10,000	93
10,001 – 100,000	100
100,001 and over	36
TOTAL	**421**

There were 177 holders of less than a marketable parcel of ordinary shares.

There are two (2) holders of options over ordinary shares. Refer to note 15 in the financial statements.

B. Equity Security Holders

Total quoted equity securities: 48,693,393. 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	25.39%
2	DAWKINS ENTERPRISES PTY LTD	10,708,930	21.99%
3	TITANWOOD HOLDINGS PTY LTD	4,590,599	9.43%
4	TRINITY MANAGEMENT GROUP PTY LTD <SBD EMPLOYEE SHARE ACCOUNT>	3,543,621	7.28%
5	MR GLYN DAWKINS & MRS PAMELA DAWKINS <DAWKINS FAMILY S/F A/C>	2,180,373	4.48%
6	NEHEMINE PTY LTD <MCCREADLE FAMILY A/C>	868,173	1.78%
7	MR DAVID COLIN ARCHIBALD	833,204	1.71%
8	OMICRON ENTERPRISES PTY LTD	675,587	1.39%
9	MR ANTHONY FRANCIS MCFADDEN	662,310	1.36%
10	MRS SUSAN HOLT	527,960	1.08%
11	MR MARTINUS VLEKKERT	495,000	1.02%
12	B & H GLAISTER INVESTMENTS P/L <B & H GLAISTER S/F A/C>	440,000	0.90%
13	BLADE EQUITIES PTY LTD <THE KATHAGE SUPER FUND A/C>	401,424	0.82%
14	BERNE NO 132 NOMINEES PTY LTD <224266 A/C>	400,000	0.82%
15	MASE INVESTMENTS PTY LTD	351,868	0.72%
16	VASPIP 2 PTY LTD	347,730	0.71%
17	MR DAVID REYNOLDS NEWBOLD & MRS VICKI JOY NEWBOLD <SYP BLUE METAL CO PL S/F A/C>	344,580	0.71%
18	C & L DAWKINS PTY LTD <CARL DAWKINS FAMILY A/C>	323,719	0.66%
19	MESDAM PTY LTD <MICHAEL DAWKINS FAMILY A/C>	323,719	0.66%
20	MS TANIA WITHERS	322,659	0.66%
	TOTAL	40,703,876	83.59%

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	25.39%	12,362,420
Titanwood Holdings Pty Ltd	9.84%	4,790,599
Trinity Management Group Pty Ltd (via the Delta SBD Employee Long Term Incentive Plan)	0.36%	177,645
Total (related parties of Stephen Bizzaca)	**35.59%**	**17,330,664**
Dawkins Enterprises Pty Ltd	21.99%	10,708,930
Glyn Dawkins and Pamela Dawkins (Dawkins Family S/F Account)	4.48%	2,180,373
Total (related parties of Glyn Dawkins)	**26.47%**	**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.