

**EVZ LIMITED**

A.B.N.87 010 550 357

**AND CONTROLLED ENTITIES**

**ANNUAL REPORT**

**2015**

# EVZ LIMITED

## Chairman's Report

Significant progress has been made since 30 June 2015 which now allows the EVZ Group to finalise its 30 June 2015 Annual Report. Specifically:

- The EVZ Group has been able to execute an extension to its maturing banking facilities. The Company's financier the Commonwealth Bank of Australia continues to support the EVZ Group and has extended the existing banking facilities to 31 March 2017.
- Concurrently, the EVZ Group has entered into a commercial agreement with Australia Pacific Airports (Melbourne) Pty Ltd to provide an appropriate commercial and financial framework for the completion of the Melbourne Airport Tri-Generation facility.

These two milestones provide the necessary stability to the EVZ Group going forward and allows the EVZ Group to continue to determine and pursue the appropriate avenues to improve the capital and debt positions of the EVZ Group.

It is also pleasing to advise that the EVZ Group has returned to a positive trading platform post 30 June 2015 which will be reflected in the 31 December 2015 half-year results.

Our tank construction and piping operation, Brockman Engineering, continues to be a lead player in that market and has built a strong reputation over an extended client base. The return to profitability of Brockman started in FY2015 and continues into FY2016.

In FY2016 to date there has been a re-emergence of the EVZ Group's Siphonic drainage operation, Syfon Systems. In late FY2015 Syfon Australia undertook a significant internal evaluation of processes which has resulted in a pleasing return to trading profitability in Australia. The Asian operation maintained its profitability and has continued to win significant contracts resulting in record levels of forward work in hand.

The energy operation, TSF, has had varying success since the close of FY2015. The Engineering component has been restrained whilst a commercial agreement to the completion of the Melbourne Airport Tri-Generation project was being negotiated and finalised. However, the Maintenance business continues to be profitable and is focused on expanding its geographic and client base.

Whilst the economy in which the EVZ Group operates remains constrained and extremely competitive, the EVZ Group now sits in a stronger position than it did at the close of FY2015.

A considerable amount of gratitude must go to our workforce who continue to perform and represent the EVZ Group in the best possible way.

Finally, I would like to thank our loyal shareholders for their patience whilst the milestone agreements with our financier and the Melbourne Airport project were being negotiated and executed. Your Board of Directors remain committed to achieve improved value for our shareholders.

Max Findlay - Chairman

**ANNUAL REPORT 2015**

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# EVZ LIMITED

## CORPORATE DIRECTORY

<b>DIRECTORS</b>	M Findlay G Burns R Edgley	(Non-Executive Chairman) (Non-Executive Director) (Non-Executive Director)
<b>CHIEF EXECUTIVE OFFICER</b>	S Farthing	
<b>CHIEF FINANCIAL OFFICER &amp; COMPANY SECRETARY</b>	I Wallace	
<b>REGISTERED &amp; PRINCIPAL OFFICE</b>	22 Hargreaves Street HUNTINGDALE Vic 3166 Telephone: Facsimile: Email:	(03) 9545 5288 (03) 9542 6061 ian.wallace@evz.com.au
<b>SHARE REGISTRY</b>	Computershare Investor Services Pty Ltd 452 Johnston Street ABBOTSFORD Vic 3067 Telephone: Facsimile:	1300 137 328 1300 137 341
<b>AUDITORS</b>	Crowe Horwath Melbourne Level 17 181 William Street MELBOURNE VIC 3000	
<b>BANKERS</b>	Commonwealth Bank of Australia	
<b>STOCK EXCHANGE LISTING</b>	Australian Securities Exchange Limited (Home Exchange – Melbourne) ASX Code: EVZ	

# EVZ LIMITED

## DIRECTORS' REPORT

The Directors present their report on the financial statements of the Company and economic entity for the year ended 30 June 2015. In order to comply with the provisions of the Corporations Act, the Directors report as follows:

### DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report:

Maxwell FINDLAY  
Graham BURNS  
Robert EDGLEY  
Raelene MURPHY (Resigned 4 March 2016)

### INFORMATION ON DIRECTORS

Details of the Directors of the Company in office at the date of this report are:

- Maxwell Findlay** Appointed 14 May 2008 – Non-Executive Chairman.  
Mr Findlay, age 70, was the Managing Director of Programmed Maintenance Services Limited from 1988 to 2008 and accumulated significant and relevant experience in the strategy, planning, management and marketing of a growing industrial organisation.
- Mr Findlay holds a Bachelor's degree in Economics and is a Fellow of the Australian Institute of Company Directors.
- Mr Findlay is a member of the Audit Committee, Nomination Committee and Remuneration Committee.
- Mr Findlay is also Chairman of SMEC Holding Ltd.
- Interest in Shares: 1,644,500 ordinary shares
- Graham Burns** Appointed 1 February 2008 – Non-Executive Director.  
Mr Burns, age 60, has extensive managerial skills and experience in the property, retail and manufacturing sectors. He is currently the Chief Executive of Hunter Land which is a significant industrial developer in regional New South Wales.
- Mr Burns GAICD, is Chairman of the Remuneration Committee and a member of the Nomination Committee.
- Interest in Shares: 10,543,985 ordinary shares
- Robert Edgley** Appointed 26 August 2011 – Non-Executive Director.  
Mr Edgley, age 50, holds a Bachelor's degree in Economics from Monash University together with a second degree in Japanese language. Mr Edgley's career has been predominantly focused in International Finance and Investment Banking in Australia, the UK and throughout Asia.
- Mr Edgley has significant experience and skills in strategic planning, performance management and marketing and has proven abilities in building businesses.

# EVZ LIMITED

## DIRECTORS' REPORT

### INFORMATION ON DIRECTORS (Continued)

Mr Edgley is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Mr Edgley is also a non-executive Director of Praemium Limited, an ASX listed company.

Interest in Shares: 3,741,232 ordinary shares.

### DIRECTORS' MEETINGS

The following table sets out the number of Directors' Meetings (including meetings of any committee of Directors) held during the financial year and the number of meetings attended by each Director (whilst they were a Director or Committee member):

#### DIRECTORS' MEETINGS

**Total number of meetings held: 16**

	<b><i>No. Attended</i></b>	<b><i>No. Held Whilst a Director</i></b>
M Findlay – Chairman	16	16
G Burns	15	16
R Edgley	16	16
R Murphy (Resigned 4 March 2016)	14	16

#### REMUNERATION COMMITTEE MEETINGS

**Total number of meetings held: 2**

	<b><i>No. Attended</i></b>	<b><i>No. Held Whilst a Member</i></b>
G Burns – Chairman	2	2
M Findlay	2	2
R Edgley	2	2

# EVZ LIMITED

## DIRECTORS' REPORT

### AUDIT COMMITTEE MEETINGS

Total number of meetings held: 2

	<b>No. Attended</b>	<b>No. Held Whilst a Member</b>
R Murphy – Chairperson (Resigned 4 March 2016)	1	2
M Findlay	2	2
R Edgley – (Appointed Chairperson 8 March 2016)	2	2

There were no meetings of the Nomination Committee held during the year.

### COMPANY SECRETARY

The Company Secretary is Ian Wallace. Mr Wallace is a Bachelor of Economics (Hons), and a Chartered Accountant with accounting and company secretarial experience in listed and unlisted companies.

### PRINCIPAL ACTIVITIES

The economic entity operates in the energy and engineering services sectors and its principal activities are:

- Design, manufacture, service and maintenance of large steel tanks for use in the water, petrochemical and chemical industries.
- Design, construction, on-site installation, maintenance and shutdown engineering services to the mining, wood chip, petrochemical, aluminium, glass, cement, defence and agriculture industries.
- Design and installation of syfonic roof drainage systems to major buildings including airports, shopping centres and sporting venues throughout Australia and South East Asia.
- Design, installation and maintenance of clean energy solutions, base and back-up power generation equipment, communications equipment, marine installations and provision of mobile generation capabilities.

### OPERATING RESULTS

The net loss for the economic entity for the year after income tax expense was \$10,426,791 compared to a net loss after income tax expense in 2014 of \$6,211,495. The current year net loss includes impairments taken of \$4,003,799.

The financial year has seen some significant challenges within the EVZ Group of businesses which has led to a deterioration in the financial results for the Group.

The deterioration in results stems from the commercial resolution of a number of key projects completed or near completion in the Groups energy division and the Australian arm of the Groups water division. These projects are now nearing completion and expected future costs have been provided at reporting date. These projects have also impacted on the Groups cash position.

In addition to this, continuing higher interest costs associated with the Groups debt has also negatively impacted the financial results.

The Groups Engineering division continues its strong turnaround and has delivered a marked improvement across the financial year. It has a significant contracted pipeline of work for FY16. The Groups Asian subsidiary of its water division is also experiencing high levels of contracted work for FY16.

The continued uncertainty which persists with respect to the government's position on energy and its pricing has stalled the roll out of the Groups clean energy strategy. Whilst the clean energy solutions being offered by TSF have supportable benefits to prospective clients, there is a general reluctance to commit to invest in these solutions by the end user until the federal government establishes its energy

# **EVZ LIMITED**

## **DIRECTORS' REPORT**

and pricing position. As such TSF continues to face protracted lead times on clean energy opportunities.

The Directors have therefore considered it prudent to fully impair the carrying value of goodwill in TSF. This has resulted in a \$4m impairment expense in the year to 30 June 2015.

The Groups bank facilities matured on 1 October 2015. Subsequent to balance date the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the exiting bank overdraft into a market rate loan facility. The covenants associated with this facility remain unchanged being an interest cover covenant (of 3 times EBIT) and a current ratio covenant (of 1.25 times). The security over the extended facility remains unchanged.

The EVZ Group has also successfully reached a commercial agreement which will allow the Melbourne Airport Tri-Generation project to be completed. This commercial agreement appropriately compensates EVZ for the estimated costs of completion of this project and realigns the required completion date of the project to the end of December 2016.

### **DIVIDENDS**

No dividends were declared or paid during the year.

### **REVIEW OF ACTIVITIES**

During the year under review the Company:

- Faced difficult trading conditions resulting from the prevailing economic conditions which have resulted in delays in the awarding and commencement of contracted work.
- Continued to expand its customer, product and geographic base from an increased investment in business development.

### **CHANGES IN STATE OF AFFAIRS**

There was no change in the state of affairs.



# **EVZ LIMITED**

## **DIRECTORS' REPORT**

### **SUBSEQUENT EVENTS**

Subsequent to balance date the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the exiting bank overdraft into a market rate loan facility. The covenants associated with this facility remain unchanged being an interest cover covenant (of 3 times EBIT) and a current ratio covenant (of 1.25 times). The security over the extended facility remains unchanged.

Subsequent to balance date the EVZ Group has also successfully reached a commercial agreement which will allow the Melbourne Airport Tri-Generation project to be completed. This commercial agreement appropriately compensates EVZ for the estimated costs of completion of this project and realigns the required completion date of the project to the end of December 2016.

Other than the matters noted above, there have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years after this financial year.

### **FUTURE DEVELOPMENTS**

The Group will continue its focus on investing in growth across all of its businesses and the reduction/retirement of debt.

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

### **SHARE OPTIONS**

There are no share options.

### **ENVIRONMENTAL REGULATION**

The economic entity is not subject to any significant environmental regulations under a Commonwealth, State or Territory Law.

### **INSURANCE OF OFFICERS**

During the financial year the Company insured the Directors and Officers of the Company against legal costs that may be brought against the Directors and Officers in their capacity as Officers of the Company. The policy provides for confidentiality with respect to its premium.

### **NON-AUDIT SERVICES**

During the current and prior year there were no non-audit services provided by the Company's auditors.

### **AUDITORS' INDEPENDENCE DECLARATION**

As required under Section 307C of the Corporations Act 2001, EVZ Limited has obtained an Independence Declaration from its auditors, Crowe Horwath. This is included on page 24 of this financial report.

# EVZ LIMITED

## DIRECTORS' REPORT

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of EVZ Limited and for Key Management Personnel.

#### Remuneration Policy

The remuneration policy of EVZ Limited has been designed to align Director and Executive remuneration with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long-term incentives based on key performance areas affecting the economic entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and Executives to govern and manage the economic entity, as well as to create goal congruence between Directors, Executives and Shareholders.

#### Executive Remuneration

The Board's policy for determining the nature and amount of remuneration for key senior Executives for the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for Executive officers, was developed by the Remuneration Committee and approved by the Board after seeking professional advice where appropriate from independent external consultants.
- All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and where appropriate performance incentives.

The Remuneration Committee reviews Executive remuneration packages annually with reference to the economic entity's performance, each Executive's performance and comparable information from industry sectors and listed companies in similar industries. The performance of each Executive is measured against criteria agreed and is predominantly measured by comparing actual growth against forecast growth of the economic entity's profits and shareholders' value. Bonuses and incentives will be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The Remuneration Committee set certain key performance indicators for the key Executives in the Group. The key performance indicators were both quantitative and qualitative measures. Certain Executives met some of these key performance indicators and the Remuneration Committee approved short term incentive payments totaling \$22,765 (2014: \$41,750).

Long term incentives, linked with performance rights issued under the EVZ Directors' and Employees' Benefits Plan, were not met during the year and no performance rights, options or shares were issued.

Executives receive a superannuation guarantee contribution as required by the Government and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Executives is valued at the cost to the Company and expensed.

#### Director Remuneration

The Board's policy is to remunerate Non-Executive Directors at appropriate market rates. The Remuneration Committee recommends the fee structure for Non-Executive Directors which will be determined by reference to market practice, duties performed, time, commitment and accountability. Director fees are reviewed annually by the Remuneration Committee.

The Remuneration Committee may seek independent advice in determining appropriate fee structures for Directors.

# EVZ LIMITED

## DIRECTORS' REPORT

### REMUNERATION REPORT (Continued)

The maximum aggregate amount of fees payable to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may be able to participate in any employee share/option plan introduced.

All remuneration paid to Directors is valued at the cost to the Company and expensed.

#### **Shares and Options Issued as part of Remuneration**

Shareholders had previously approved the EVZ Directors' and Employees' Benefits Plan (the "Plan") which allows employees, Directors and others ("Eligible Persons") to be granted shares, options and performance rights in the Company. The object of this Plan is to help the Company recruit, reward, retain and motivate its employees and Directors.

Such shares, options and performance rights would be offered only to those Eligible Persons entitled to receive an invitation. Those Eligible Persons would be:

- a Director or Secretary of a Group Company;
  - an employee in permanent full-time or permanent part-time employment of a Group Company; or
  - a contractor to a Group Company
- who is selected by the Board to participate in the Plan.

Invitations to Eligible Persons will be made by the Board and may be made subject to such conditions and rules as the Board determines, including:

- In the case of Options, the exercise period, the exercise price and the exercise conditions.
- In the case of Shares, the issue price payable on acceptance of the application by the Company and issue of the shares and any other specific terms and conditions of issue.
- In the case of Performance Rights, the performance criteria and the performance period in which those performance criteria must be satisfied.

The issue of any securities (including options or performance rights) issued to any Director or their associates will still require shareholder approval under ASX Listing Rule 10.14.

The maximum number of shares issued pursuant to the Plan would be not more than 5% of the equity interests in the Company.

During the year the CEO accepted his prior year bonus of \$33,750 in fully paid ordinary shares. This resulted in 2,109,375 fully paid ordinary shares being issued during the current year. There were no other share based payments.

#### **Performance Based Remuneration**

During the year to 30 June 2015, performance based remuneration paid/payable totalled \$22,765 (2014: \$41,750). These short term performance based payments were based on achieving certain key performance indicators which were quantitative measures based on business profitability and improvement in forward work in hand. Both measures are considered to be drivers of shareholder value.

During the year the CEO accepted his prior year bonus of \$33,750 in fully paid ordinary shares. This resulted in 2,109,375 fully paid ordinary shares being issued during the current year. There were no other share based payments.

# EVZ LIMITED

## DIRECTORS' REPORT

### REMUNERATION REPORT (Continued)

#### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and Executives.

#### Details of Remuneration for the Year ended 30 June 2015

The remuneration for each Director and each of Key Management Personnel of the economic entity during the year was as follows:

<u>Directors</u>	Short-term Employee Benefits		Post-Employment Benefits	Total
	Salary	Fees	Superannuation Contributions	
	\$	\$	\$	\$
<b>2015</b>				
M Findlay	-	100,000	-	100,000
G Burns	-	40,000	-	40,000
R Edgley	-	38,333	-	38,333
R Murphy (Resigned 4 March 2016)	-	40,000	-	40,000
	-	<b>218,333</b>	-	<b>218,333</b>
<b>2014</b>				
M Findlay	-	120,000	-	120,000
G Burns	-	45,000	-	45,000
R Edgley	-	45,000	-	45,000
R Murphy	-	45,000	-	45,000
	-	<b>255,000</b>	-	<b>255,000</b>

#### Key Management Personnel of the Economic Entity

	Short Term Employee Benefits			Post-Employment Benefits		Total
	Salary	Profit Share & Bonus	Non Cash Benefits	Super-annuation Contributions	Termination Benefits	
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
<b>S Farthing</b> (Chief Executive Officer)	356,027	-	3,113	18,973	-	378,113
<b>I Wallace</b> (Chief Financial Officer & Company Secretary)	213,661	-	1,468	35,000	-	250,129
<b>A Bellgrove</b> (General Manager, Syfon Systems Group)	280,960	17,765	-	18,605	-	317,330
<b>C Bishop</b> (General Manager, Brockman Engineering Pty Ltd)	240,959	5,000	-	24,861	-	270,820
<b>A Green</b> (General Manager, TSF Engineering Group-resigned 12/2/15)	137,180	-	-	16,009	51,674	204,863
<b>I Whitford</b> (Manager, TSF Maintenance Pty Ltd – appointed 1/7/14)	109,225	-	-	11,466	-	120,691
	<b>1,338,012</b>	<b>22,765</b>	<b>4,581</b>	<b>124,914</b>	<b>51,674</b>	<b>1,541,946</b>

# EVZ LIMITED

## DIRECTORS' REPORT

### REMUNERATION REPORT (Continued)

2014	Short Term Employee Benefits			Post-Employment Benefits		Total
	Salary	Profit Share & Bonus	Non Cash Benefits	Super-annuation Contributions	Termination Benefits	
	\$	\$	\$	\$	\$	\$
<b>S Farthing</b> (Chief Executive Officer)	358,530	33,750	2,998	17,775	-	413,053
<b>I Wallace</b> (Chief Financial Officer & Company Secretary)	234,000	-	1,793	25,000	-	260,793
<b>A Bellgrove</b> (General Manager, Syfon Systems Group)	273,041	8,000	-	15,775	-	296,816
<b>C Bishop</b> (General Manager, Brockman Engineering Pty Ltd – appointed 1/7/13)	255,782	-	-	24,519	-	280,301
<b>A Green</b> (General Manager, TSF Engineering Group)	244,802	-	-	22,841	-	267,643
<b>C Flanagan</b> (Manager, TSF Maintenance Pty Ltd – resigned 1/5/14)	159,717	-	-	14,148	-	173,865
	<b>1,525,872</b>	<b>41,750</b>	<b>4,791</b>	<b>120,058</b>	<b>-</b>	<b>1,692,471</b>

Remuneration and other terms of employment for key Executives are formalised in employment service agreements. Each of these agreements may provide for the provision of other benefits including car allowances. These agreements have no fixed term. There are no other standard termination provisions excluding notice periods. Notice periods are generally between three and six months.

### Additional disclosures relating to key management personnel

The number of ordinary shares held by each Key Management Personnel of the Group during the financial year is as follows:

<u>30 June 2015</u>	Balance at beginning of year	Granted as remuneration	Other changes	Balance at end of year
M Findlay	1,644,500	-	-	1,644,500
G Burns	10,000,000	-	543,985	10,543,985
R Edgley	3,741,232	-	-	3,741,232
Ms R Murphy (Resigned 4 March 2016)	42,500	-	-	42,500
S Farthing	1,000,000	-	2,109,375	3,109,375
I Wallace	75,008	-	-	75,008
C Bishop	-	-	-	-
A Bellgrove	4,401,949	-	-	4,401,949
A Green (resigned 12/2/15)	132,000	-	(132,000)	-
I Whitford	-	-	-	-
	<b>21,037,189</b>	<b>-</b>	<b>2,521,360</b>	<b>23,558,549</b>

# **EVZ LIMITED**

## **DIRECTORS' REPORT**

This concludes the remuneration report, which has been audited

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to be 'M Findlay', written in a cursive style.

Director – M Findlay

Signed at Melbourne this 14<sup>th</sup> day of April 2016.

# EVZ LIMITED

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

### Introduction

The board of EVZ Limited is committed to protecting shareholders' interests and ensuring investors are fully informed about the performance of the company's business. The directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law and in a manner that reflects the highest standards of corporate governance.

The policies and practices of the company are in accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 3<sup>rd</sup> Edition".

Unless otherwise indicated, the best practice principles of the ASX Corporate Governance Council and suggested disclosures, have been adopted by the company for the year ended 30 June 2015 as relevant to the size and complexity of the company and its operations.

The Corporate Governance Statement is current at the date of approval of the annual report and has been approved by the Board of Directors.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### ***Recommendation 1.1: Respective roles and responsibilities of the board and management.***

The EVZ Limited board charter sets out the function and responsibilities of the board. The directors of the company are accountable to shareholders for the proper management of business and affairs of the company.

The key responsibilities of the board are to:

- establish, monitor and modify the corporate strategies of the company;
- ensure proper corporate governance;
- monitor and evaluate the performance of management of the company;
- ensure that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- assess the necessary and desirable competencies of board members, review board succession plans, evaluate its own performance and consider the appointment and removal of directors;
- consider executive remuneration and incentive policies, the company's recruitment, retention and termination policies and procedures for senior management and the remuneration framework for non-executive directors;
- monitor financial performance;
- approve decisions concerning the capital, including capital restructures, and dividend policy of the company; and
- comply with the reporting and other requirements of the law.

The board delegates responsibility for day-to-day management of the company to the chief executive officer (CEO), subject to certain financial limits. The CEO must consult the board on matters that are sensitive, extraordinary, of a strategic nature or matters outside the permitted financial limits.

# **EVZ LIMITED**

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

### ***Recommendation 1.2: Directors Appointment***

Non-executive directors appointed during the year hold office until the next annual general meeting, where they must stand for re-election. Each year one third of the board of directors (excluding the managing director) must retire and if they wish seek re-election at the annual general meeting. Board support for a director's re-election is not automatic and is subject to satisfactory director performance.

Appropriate background checks are undertaken before a director is nominated. At the annual general meeting shareholders are provided with all material information concerning the director seeking election or re-election.

### ***Recommendation 1.3: Terms of Appointment***

The Company has written agreements with all senior executives setting out the terms of their appointment. Historically written agreements have not been used for director appointments, including current directors. However, the duties of the Directors as detailed above were provided to all directors. Written agreements will be implemented for all future director appointments.

### **Recommendation 1.4: Company Secretary**

The appointment and removal of the Company secretary is a decision of the Board. The Company secretary is accountable directly to the Board, through the Chairman, on all matters relating to the proper functioning of the Board and is responsible for ensuring compliance with Board procedures and governance matters. All directors have direct access to the Company Secretary.

### **Recommendation 1.5: Diversity Policy**

The Group's ultimate success is under-pinned by its employees. To maximise success, the Group encourages a diverse population of employees within its operations.

Diversity is defined to include race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, skill levels, family status, religious, political and other beliefs and work styles. The Group recognises that differences in ideas, backgrounds, patterns of thinking and approaches to work can generate value for the Group's stakeholders: its customers, shareholders, personnel and the communities in which it operates. It is the Group's policy to promote these differences within a productive, inclusive and performance-based environment in which everybody feels valued, where their skills are fully utilised, their performance is recognised, professional accountability is expected and organisational goals are met.

The Group's approach to diversity is based on the following objectives:

- retain, promote and hire the best people possible, focusing on actual and potential contribution in terms of performance, competence, collaboration and professional accountability;
- foster an inclusive culture and ensure that current and future employee opportunities are based on competence and performance, irrespective of race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, family status, religious, political and other beliefs and work styles. This includes being intolerant of behaviour that denigrates or otherwise diminishes such attributes or that discriminates on the basis of such attributes;
- create and manage appropriate human resource processes which take a unified and talent-based approach to recruitment, training and development, performance management, retention and succession planning;
- provide a fair level of reward in order to attract and retain high calibre people – and build a culture of achievement by providing a transparent link between reward and performance; and
- be compliant with all mandatory diversity reporting requirements.



# EVZ LIMITED

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

### The Group's Measurable Objective and Current Gender Profile:

The Group's measurable objective for increasing gender diversity is to increase the representation of women at all levels of its organisation over time. The Group's progress towards achieving that objective, along with the proportion of women employees within the Group, women in senior executive positions and women non-executive directors, is set out in the table below:

Measure	2015		2014	
	No.	%	No.	%
Women employees	16	4	17	5
Women senior executives *	0	0	0	0
Women non-executive directors	1	25	1	25

\* This includes both employees and specific contractors engaged by the Group.

### Recommendation 1.6: Board and Committee Performance

The board and its committees undertook self-assessment in accordance with their relevant charters during the financial year. The Chairman conducts annual one-on-one personal performance discussions with each of the individual directors.

The board was provided with all company information it needed in order to effectively discharge its responsibilities and were entitled to, and did, request additional information when considered necessary or desirable.

### Recommendation 1.7: Senior Executive Performance

Reviews of the performance of Senior Executives are undertaken annually against established key performance indicators. At the same time goals and targets for the coming year are discussed and implemented. The annual evaluation of the CEO's performance is a specific function of the Remuneration Committee.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### Recommendation 2.1: Nomination Committee

The company has a duly appointed nomination committee. The committee operates pursuant to a nomination committee charter. The charter sets out the responsibilities of the committee including reviewing board succession plans to ensure an appropriate balance of skills and expertise, developing policies and procedures for the appointments of directors and identifying directors with appropriate qualifications to fill board committee vacancies. The term of non-executive directorships is set out in the company's constitution.

Given the size of the board, the board has determined it appropriate for the nomination committee to consist of the full board of directors.

### Recommendation 2.2 and 2.3: Board Composition

The Company's Board is comprised of non-executive directors.

Details of directors and relevant skills are detailed in the following tables:

# EVZ LIMITED

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

### Details of Directors

Director	Term in Office	Qualifications	Status
Maxwell Findlay (Chairman)	Appointed 14 May 2008	BEC, FAICD	Independent
Graham Burns	Appointed 1 February 2008	GAICD	Independent
Robert Edgley	Appointed 26 August 2011	BEC	Independent
Raelene Murphy (Resigned 4 March 2016)	Appointed 28 September 2012	BBus, CA, MAICD	Independent

### Areas of competence and skills of the Board of Directors

Area	Competence and skills
Leadership	Business leadership Public listed company experience
Business & Finance	Accounting expertise Business strategy Corporate turnarounds Corporate financing Mergers and acquisitions Risk management Commercial agreements
Sustainability and Stakeholder management	Corporate governance Remuneration
Market and Industry	Financial services expertise
International	Geographical experience and international business management

### Recommendation 2.4: Director Independence

During the financial year, the board comprised of four directors, all of whom, including the chairman, are non-executive and independent directors. Profiles of the directors are set out in this annual report. All directors are subject to retirement by rotation in accordance with the Company's constitution but may stand for re-election by the shareholders.

The composition of the board is determined by the board and, where appropriate, external advice is sought. The board has adopted the following principles and guidelines in determining the composition of the board:

To be independent, a director ought to be non-executive and:

- not a current executive of the company;
- ideally not held an executive position in the company in the previous three years;
- not a nominee or associate of a shareholder holding more than 10% of the company's shares;
- not significantly involved in the value chain of the organisation, either upstream or downstream; and
- not a current advisor to the company receiving fees or some other benefit, except for approved director's fees.

# **EVZ LIMITED**

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

Directors are encouraged to be long term shareholders in the company. Directors shareholdings are disclosed in the annual report. Any change in directors shareholdings are disclosed in accordance with ASX Listing Rules.

The Company's policies allow directors to seek independent advice at the Company's expense.

### **Recommendation 2.5: Independence of Chairman**

The chairman, Max Findlay, is an independent director. He is responsible for the leadership of the board and he has no other positions that hinder the effective performance of this role.

The role of chairman is independent to the role of CEO, which is held by Scott Farthing. There is a clear division of responsibility between these roles.

### **Recommendation 2.6: Induction and Training**

Any new director will receive a letter of appointment. Directors are provided access to the company's policies including the Board's Charter. At Board meetings directors receive regular updates and also undertake site visits, attend customer and financier meetings as required. These assist directors to keep abreast of relevant market and industry developments.

## **PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY**

### **Recommendation 3.1: Code of Conduct**

The company has developed codes of conduct to guide all of the company's employees, particularly directors, the CEO, the CFO and other senior executives, in respect of ethical behaviour. These codes are designed to maintain confidence in the company's integrity and the responsibility and accountability of all individuals within the company for reporting unlawful and unethical practices. These codes of conduct embrace such areas as:

- conflicts of interest
- corporate opportunities
- confidentiality
- fair dealing and trade practices
- protection of assets
- compliance with laws, regulations and industry codes
- 'whistle-blowing'
- security trading
- commitment to and recognition of the legitimate interests of stakeholders

## **PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING**

### **Recommendation 4.1: Audit Committee**

The board-appointed audit committee operates in accordance with the audit committee charter. The details of the committee meetings held during the year and attendance at those meetings are detailed in the directors' meeting schedule in the directors' report.

The audit committee consists of:

- Raelene Murphy - Chairperson (Resigned 4 March 2016)
- Max Findlay
- Robert Edgley (Appointed Chairperson 8 March 2016)

# **EVZ LIMITED**

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

Each of the members of the committee is an independent, non-executive director and the chairman of the committee is not the chairman of the board. The CEO and the CFO/Company Secretary may attend the meetings at the invitation of the committee. All members of the committee are financially literate (i.e. they are able to read and understand financial statements) and have an understanding of the industry in which the company operates.

The audit committee provides an independent review of:

- financial information produced by the company;
- the accounting policies adopted by the company;
- the effectiveness of the accounting and internal control systems and management reporting which are designed to safeguard company assets;
- the quality of the external audit functions;
- external auditor's performance and independence as well as considering such matters as replacing the external auditor where and when necessary; and
- identifying risk areas.

### **Recommendation 4.2: CEO and CFO Assurance**

The CEO and CFO have provided to the board formal declarations that the integrity of the financial statements is founded on a system of risk management and internal control which supports the policies adopted by the board and that the company's risk management and internal control system is operating effectively in all material respects to manage the company's material business risks.

### **Recommendation 4.3: Auditor Attendance**

The Company's Auditor is Crowe Horwath. The Auditor has and will continue to attend the Annual General Meeting in order to be available to answer questions relating to the audit raised by security holders.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

The board recognises that the company, as an entity listed on the ASX, has an obligation to make timely and balanced disclosure in accordance with the requirements of the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The board also is of the view that an appropriately informed shareholder base and market is essential to an efficient market for the company's securities. The board is committed to ensuring that shareholders and the market have timely and balanced disclosure of matters concerning the company. In demonstration of this commitment, the company has adopted a formal external communications policy including a continuous disclosure policy.

In order to ensure the company meets its obligations of timely disclosure of such information, the company has adopted the following policies:

- immediate notification to the ASX of information concerning the company that a reasonable person would expect to have a material effect on the price or value of the company's securities as prescribed under listing rule 3.1, except where such information is not required to be disclosed in accordance with the exception provisions of the listing rules;
- the company has a website where all relevant information disclosed to the ASX will be promptly placed on the website following receipt of confirmation from the ASX and, where it is deemed desirable, released to the wider media; and
- the company will not respond to market rumours or speculation, except where required to do so under the listing rules.

# EVZ LIMITED

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

Based on information provided to the company secretary by directors, officers and employees, the company secretary is responsible for determining which information is to be disclosed and for the overall administration of this policy.

### PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

#### Recommendation 6.1: Website

The Company has a website which includes details of the Company and the operating entities in the Group. The website also includes the Company's annual report which contains within it the Company's Corporate Governance statement. The Company is currently updating this website to include a separate Corporate Governance page.

#### Recommendation 6.2: Communications with investors

The board recognises that shareholders are the beneficial owners of the company and respects their rights and is continually seeking ways to assist shareholders in the exercise of those rights. The board also recognises that as owners of the company the shareholders may best contribute to the company's growth, value and prosperity if they are appropriately informed. To this end the board seeks to empower shareholders by:

- communicating effectively with shareholders;
- enabling shareholders to have access to balanced and understandable information about the company and its operations; and
- promoting shareholder participation in general meetings.

All shareholders are entitled to receive a copy of the company's annual report. In addition, the company's website will provide opportunities to shareholders to access company announcements, media releases and financial reports.

#### Recommendation 6.3: Participation at meetings by security holders

The board is committed to assisting shareholders' participation in meetings and has adopted the following measures:

- adoption of the ASX Corporate Governance Council's recommendation and guidelines as published in the Council's *Corporate Governance Principles and Recommendations* in respect of notices of meetings;
- providing sufficient time and adequate opportunity at meetings for shareholders to ask questions and make comments to the Board, and
- ensuring that a representative of the company's external auditor, subject to availability, is present at all annual general meetings and that shareholders have adequate opportunity to ask questions of the auditor at that meeting concerning the audit and preparation and content of the auditor's report.

The current size of the Company prohibits technology such as live webcasting and meetings across multiple venues linked by live telecommunications. The Company is currently investigating the use electronic lodgment of proxies for its meetings.

#### Recommendation 6.4: Electronic communication

The Company provides security holders with the option to receive communications from the entity and its security registry, such as notice of meetings, explanatory memorandums, proxy forms and annual reports electronically. A corporate email address is provided via the website to allow security holders to communicate with the Company.

# **EVZ LIMITED**

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

The Company is currently investigating the use of electronic lodgment of proxies for its meetings.

### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

#### **Recommendation 7.1: Risk Committee**

Overall risk management is the responsibility of the Audit Committee and covered within that Committee's Charter.

The board has overall responsibility to all stakeholders for the identification, assessment, management and monitoring of the risks faced by the company. The company currently has informal policies and procedures for risk management and the audit committee seeks to ensure compliance with regulatory requirements. The operational risks are managed at the senior management level and escalated to the board for direction where the issue is exceptional, non-recurring or may impose a material financial or operational burden on the company. The relatively small size of the company means that communication and decision-making is predominantly centralised allowing early identification of risks by senior management. It also allows senior management to respond to each risk as appropriate without the need for a written risk management policy. In addition a monthly risk report is tabled at the Board meeting for consideration.

#### **Recommendation 7.2: Risk Management Framework**

Given the relatively small and centralised management team, the nature of the business of the company and that a majority of independent directors sit on the audit committee, the board is continuously kept informed of the effectiveness of the company's internal control systems. In addition a monthly risk report is tabled at the Board meeting for consideration.

#### **Recommendation 7.3: Internal Audit**

The Company does not currently have any internal audit function. The Board considers that given the Company's current size there is no benefit in having an internal audit function. Independent advice will be sought as necessary. The board has overall responsibility for the identification, assessment, management and monitoring of the risks faced by the company.

#### **Recommendation 7.4: Risk Management**

The Board monitors its exposure to all risks, including economic, environmental and social sustainability risks on a monthly basis. Any material business risks will be disclosed in the annual report, which also outlines the activities, performance, financial position of the Company and its businesses.

### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

#### **Recommendation 8.1 and 8.2: Remuneration Committee and Policies**

The company has a duly appointed remuneration committee. The committee operates pursuant to the remuneration committee charter.

The remuneration committee consists of:

- Graham Burns (Chairman)
- Max Findlay
- Rob Edgley

# EVZ LIMITED

## CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

The Company's approach to remuneration is set out in the Remuneration Report contained within this annual report.

The primary responsibilities of the remuneration committee are:

- Establish appropriate remuneration policies for directors, the CEO and other senior executives which are effective in attracting and/or retaining the best directors and executives to monitor and manage EVZ Limited, whilst ensuring goal congruence between shareholders, directors and executives.
- Ensuring appropriate disclosure of remuneration in line with the Corporations Act, ASX Listing Rules and Corporate Governance guidelines.

Non-executive directors are remunerated by way of fees. They may receive options (subject to shareholder approval) but there is no scheme for retirement benefits, other than statutory superannuation. Executives are paid a salary and may be provided, under the Directors' and Employees' Benefits Plan, with shares, performance rights and/or options and bonuses as part of their remuneration and incentive package.

There are no executive directors.

### **Recommendation 8.3: Equity based remuneration scheme**

There is currently in place an EVZ Directors' and Employees' Benefits Plan (the "Plan") which allows employees, Directors and others ("Eligible Persons") to be granted shares, options and performance rights in the Company. The object of this Plan is to help the Company recruit, reward, retain and motivate its employees and Directors.

Such shares, options and performance rights would be offered only to those Eligible Persons entitled to receive an invitation. Those Eligible Persons would be:

- a Director or Secretary of a Group Company;
  - an employee in permanent full-time or permanent part-time employment of a Group Company; or
  - a contractor to a Group Company
- who is selected by the Board to participate in the Plan.

Invitations to Eligible Persons will be made by the Board and may be made subject to such conditions and rules as the Board determines, including:

- In the case of Options, the exercise period, the exercise price and the exercise conditions.
- In the case of Shares, the issue price payable on acceptance of the application by the Company and issue of the shares and any other specific terms and conditions of issue.
- In the case of Performance Rights, the performance criteria and the performance period in which those performance criteria must be satisfied.

The issue of any securities (including options or performance rights) issued to any Director or their associates will still require shareholder approval under ASX Listing Rule 10.14.

The maximum number of shares issued pursuant to the Plan would be not more than 5% of the equity interests in the Company.

# Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of EVZ Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been no contraventions of

- I. The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- II. Any applicable code of professional conduct in relation to the audit.



**CROWE HORWATH MELBOURNE**



**DAVID MUNDAY**  
Partner

**Melbourne, Victoria**  
**14 April 2016**



# EVZ LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Economic Entity 2015 \$	2014 \$
Revenue		70,311,742	64,433,155
Cost of sales		(62,854,962)	(53,051,154)
Gross profit		7,456,780	11,382,001
Other income	2(a)	71,743	109,397
Administration and business development costs		(10,729,945)	(11,434,477)
Corporate costs		(1,357,508)	(1,439,895)
Impairment of other assets		(162,855)	(373,712)
Impairment of plant and equipment		-	(343,409)
Impairment of intangibles		(4,003,799)	(3,913,481)
Profit/(Loss) before finance costs and income tax		(8,725,584)	(6,013,576)
Net finance costs	2(c)	(1,664,230)	(1,099,611)
Profit /(Loss) before income tax from continuing operations		(10,389,814)	(7,113,187)
Income tax (expense)/benefit	3	(36,977)	901,692
<b>Profit/(Loss) for year attributed to members</b>		<b>(10,426,791)</b>	<b>(6,211,495)</b>
		<b>Cents per share</b>	<b>Cents per share</b>
<b>Overall operations</b>			
Basic earnings per share	17	(4.99)	(2.98)
Diluted earnings per share	17	(4.99)	(2.98)
<b>Continuing operations</b>			
Basic earnings per share	17	(4.99)	(2.98)
Diluted earnings per share	17	(4.99)	(2.98)

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

# EVZ LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Economic Entity 2015 \$	2014 \$
Profit/(Loss) for the year		(10,426,791)	(6,211,495)
Other comprehensive income:			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation of foreign operations	16(b)	56,598	(64,987)
<b>Total comprehensive income/(loss) for the year attributable to owners of the company</b>		<b>(10,370,193)</b>	<b>(6,276,482)</b>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# EVZ LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	Economic Entity	
		2015	2014
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	22	1,013,866	2,047,109
Trade and other receivables	4	14,782,087	16,373,386
Inventories	5	1,825,064	1,983,863
Financial assets	6	63,729	9,947
<b>TOTAL CURRENT ASSETS</b>		<b>17,684,746</b>	<b>20,414,305</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	4	978,754	525,189
Plant and equipment	7	5,082,502	4,648,282
Deferred tax assets	8	4,313,415	4,313,415
Intangible assets	9	12,072,010	16,075,809
Financial assets	6	-	52,091
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,446,681</b>	<b>25,614,786</b>
<b>TOTAL ASSETS</b>		<b>40,131,427</b>	<b>46,029,091</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	14,871,425	13,817,399
Tax liabilities	8	-	750
Short-term borrowings	11	13,454,208	3,666,849
Provisions	13	3,127,660	2,380,563
<b>TOTAL CURRENT LIABILITIES</b>		<b>31,453,293</b>	<b>19,865,561</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	12	241,268	7,455,614
Deferred tax liabilities	8	23,469	47,219
Provisions	13	149,738	60,595
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>414,475</b>	<b>7,563,428</b>
<b>TOTAL LIABILITIES</b>		<b>31,867,768</b>	<b>27,428,989</b>
<b>NET ASSETS</b>		<b>8,263,659</b>	<b>18,600,102</b>
<b>EQUITY</b>			
Issued capital	14	46,088,909	46,055,159
Reserves	16	(49,322)	(105,920)
Accumulated losses	16	(37,775,928)	(27,349,137)
<b>TOTAL EQUITY</b>		<b>8,263,659</b>	<b>18,600,102</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# EVZ LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

### ECONOMIC ENTITY

	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Total
<b>30 June 2015</b>	\$	\$	\$	\$
Balance at 1 July 2014	46,055,159	(27,349,137)	(105,920)	18,600,102
<b>Total comprehensive loss for year</b>				
Loss for year	-	(10,426,791)	-	(10,426,791)
Foreign currency translation reserve	-	-	56,598	56,598
Total comprehensive loss for year	-	(10,426,791)	56,598	(10,370,193)
<b>Transactions with owners, recorded directly in equity</b>				
Shares Issued	33,750	-	-	33,750
Dividends	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>46,088,909</b>	<b>(37,775,928)</b>	<b>(49,322)</b>	<b>8,263,659</b>
<b>30 June 2014</b>				
Balance at 1 July 2013	46,055,159	(21,137,642)	(40,933)	24,876,584
<b>Total comprehensive loss for year</b>				
Profit for year	-	(6,211,495)	-	(6,211,495)
Foreign currency translation reserve	-	-	(64,987)	(64,987)
Total comprehensive loss for year	-	(6,211,495)	(64,987)	(6,276,482)
<b>Transactions with owners, recorded directly in equity</b>				
Shares Issued	-	-	-	-
Dividends	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>46,055,159</b>	<b>(27,349,137)</b>	<b>(105,920)</b>	<b>18,600,102</b>

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

# EVZ LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Economic Entity	
		2015	2014
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		77,816,484	69,219,847
Payments to suppliers and employees (inclusive of GST)		(78,685,268)	(67,610,243)
Income tax paid		(61,477)	(28,641)
Interest received		15,142	7,345
Finance costs		(1,679,372)	(1,106,956)
<b>NET CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	22(ii)	<b>(2,594,491)</b>	<b>481,352</b>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		94,603	327,754
Purchase of plant and equipment		(1,106,368)	(557,819)
<b>NET CASH FLOWS (USED) BY INVESTING ACTIVITIES</b>		<b>(1,011,765)</b>	<b>(230,065)</b>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayment of bank loans		-	(1,000,000)
Proceeds from lease financing		102,556	110,929
Payments for lease financing		(32,651)	(82,553)
<b>NET CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES</b>		<b>69,905</b>	<b>(971,624)</b>
NET DECREASE IN CASH HELD		(3,536,351)	(720,337)
Cash at beginning of financial year		(527,579)	192,758
<b>CASH AT END OF FINANCIAL YEAR</b>	22(i)	<b>(4,063,930)</b>	<b>(527,579)</b>

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

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of EVZ Limited and controlled entities ('Economic Entity' or 'Group').

#### **Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*, as appropriate for for-profit orientated entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs.

#### **Accounting Policies**

##### **(a) Principles of Consolidation**

A controlled entity is any entity EVZ Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

##### **Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill (refer to Note 1(i)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Principles of Consolidation (Continued)

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of profit or loss and other comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of profit or loss and other comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

#### (b) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant tax authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (benefit) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period where the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (b) Income Tax (Continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

EVZ Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated Group under the tax consolidation regime. Each entity in the Group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and credits which are immediately assumed by EVZ Limited. The current tax liability of each Group entity is then subsequently assumed by EVZ Limited. The Group notified the Australian Taxation Office that it had formed an income tax consolidated Group to apply from 7 June 2004. The tax consolidated Group has entered a tax sharing arrangement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated Group.

#### (c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

The carrying amount of inventories is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

#### (d) Construction Contracts and Work in Progress

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full. Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

#### (e) Plant and Equipment

Each class of plant and equipment is carried at cost less where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.



# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Plant and Equipment (Continued)

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when probable future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets and capitalised lease assets, is depreciated on either a straight-line or diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
• Plant and equipment	5 to 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

#### (f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### (g) Financial instruments

##### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Financial Instruments (Continued)

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **Financial Assets**

##### **Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### **Financial Liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

#### **Impairment**

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

#### (h) Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

It has been determined that the balances of the goodwill have an indefinite life. The excess of the fair value of net assets over the purchase price of the businesses acquired has been allocated to goodwill rather than be allocated to other intangible assets. The acquisition of the businesses that generate the goodwill was determined on the abilities of the entities, as a whole, to generate future profits and hence other intangibles have not been recognised.

Goodwill is allocated to cash-generating units which are based on the Group's individual companies. All businesses operate in the engineering services industry sector.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Intangibles

##### **Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on the acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (j) Foreign Currency Transactions and Balances

##### **Functional and Presentation Currency**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

##### **Transaction and Balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

##### **Group Companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the income statement in the period in which the operation is disposed.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### Defined Contribution Plans

Contributions to defined superannuation plans are expensed when incurred.

#### Share Based Payments

The Group operates an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense with a corresponding increase to an equity account. The shares issued under the employee share scheme vest immediately.

#### (l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### (m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### (n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Contract revenue is recognised in accordance with Note 1(d).

#### (o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

#### (p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### Key Estimates

##### **Impairment**

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the cash generating unit is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Refer Note 9 for key estimates used in the assessment of Goodwill. Following the impairment assessment, the carrying value of Goodwill was impaired by \$4,003,799.

At 30 June 2015, receivables from continuing operations were impaired by \$404,631 (2014: \$189,005).

In the prior year an impairment of \$343,409 was recognised in respect of plant and equipment.

In the prior year an impairment of \$373,712 was recognised in respect of other assets.

##### **Recognition of Deferred Tax Assets**

The Group has recognised deferred tax assets in relation to Provisions (\$891,679), Other (\$60,571) and Un-recouped tax losses (\$3,361,165).

The realisation of these deferred tax assets is dependent upon generating sufficient taxable profit in the coming year.

The Group has projected its profits over the next five years and believes that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

##### **Construction Contracts and Work-in-Progress**

Construction profits are recognised on the stage-of-completion basis and measured by comparing construction contract costs incurred to date against expected final costs of the construction contract.

Expected final costs are estimated following an assessment of each contract and a determination of expected costs still to be incurred.

Whilst expected final costs can vary, the Group believes that the expected final costs in its various construction contracts are appropriate at 30 June 2015.

#### (s) **Going Concern**

The financial report for the year ended 30 June 2015 has been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and the settlement of liabilities in the ordinary course of business.

Subsequent to balance date the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the exiting bank overdraft into a market rate loan facility. The covenants associated with this facility remain unchanged being an interest cover covenant (of 3 times EBIT) and a current ratio covenant (of 1.25 times). The security over the extended facility remains unchanged.

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EVZ is currently determining the optimum strategy for a structured debt reduction which may include a change to the capital structure and/or the orderly divestment of some of the Group's operations and assets.

The Group's ability to continue as a going concern continues to be dependent on the Commonwealth Bank continuing to support the Group as it determines and executes its structured debt reduction program and the Group's ability to continually meet its profit forecasts. Should either of these matters not occur, the Group may not be able to realise its assets and settle its liabilities in the ordinary course of business.

The directors have concluded that these circumstances represent a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. Nevertheless, after making enquiries and considering uncertainties described above the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the financial report of EVZ and its controlled entities at 30 June 2015.

#### (t) New and Amended Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. There has been no financial impact on their adoption. Refer to Note 33 for new, revised or amending Accounting Standards or Interpretations that are not yet mandatory and have not been early adopted.

The financial report was authorised for issue on 14 April 2016 by the Board of Directors.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity	
	2015	2014
	\$	\$
<b>2. PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		
<b>(a) OTHER INCOME</b>		
Sundry income	71,743	109,397
	<b>71,743</b>	<b>109,397</b>
<b>(b) EXPENSES</b>		
Bad debts	264,911	91,495
Impairment – receivables	131,322	189,005
Total employee costs	37,553,593	29,575,151
Defined contribution superannuation expense	2,487,306	2,163,004
Foreign exchange losses/(gains)	(82,759)	(36,130)
(Profit)/Losses on sale of plant and equipment	(10,144)	2,144
Operating lease payments	1,009,553	1,020,594
Depreciation of plant and equipment	846,388	807,481
Impairment – other assets	162,855	373,712
Impairment – plant and equipment	-	343,409
Impairment – goodwill	4,003,799	3,913,481
<b>(c) NET FINANCE COSTS</b>		
Finance costs – other persons	1,679,372	1,106,956
Interest income – other persons	(15,142)	(7,345)
	<b>1,664,230</b>	<b>1,099,611</b>
<b>3. INCOME TAX</b>		
<b>(a) The prima facie tax on profit/(loss) before income tax from continuing operations is reconciled to income tax as follows:</b>		
Profit/(Loss) before Income Tax	(10,389,814)	(7,113,187)
Income tax calculated at 30% (2014: 30%)	(3,116,944)	(2,133,956)
Tax effect of permanent differences	1,111,553	1,209,051
Under provision/(over provision) in prior years	(3,687)	16,205
Tax Losses not recognized	2,009,078	-
Taxation expense - offshore subsidiary	36,977	7,008
Income tax expense/(benefit)	<b>36,977</b>	<b>(901,692)</b>
<i>The applicable weighted average effective tax rates are as follows:</i>	-	-
<b>(b) The components of tax expense comprise:</b>		
Current tax	40,664	(687,434)
Deferred tax	-	(230,463)
Under provision/(over provision) in prior years	(3,687)	16,205
	<b>36,977</b>	<b>(901,692)</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Trade receivables	14,350,618	10,280,936
Provision for impairment	(404,631)	(273,309)
	<u>13,945,987</u>	<u>10,007,627</u>
Amounts due from customers for construction contracts (refer Note 31)	(457,684)	2,359,617
Retention receivables	503,889	437,064
	<u>13,992,192</u>	<u>12,804,308</u>
Other debtors and prepayments	789,895	3,569,078
	<u><b>14,782,087</b></u>	<u><b>16,373,386</b></u>
<b>Non-Current</b>		
Retention receivables	978,754	525,189
	<u><b>978,754</b></u>	<u><b>525,189</b></u>

All trade and other receivables are classified as financial assets (refer Note 27).

Market practices provide for the retention of monies from progress and final billings on certain construction contracts. The monies are received after a contracted period of time has elapsed following completion of the construction.

Current trade receivables are non-interest bearing and generally on 30 days terms. Non-current trade receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired.

There are no other balances other than those impaired within trade and other receivables that contain assets that are impaired. It is expected these balances will be received when due. Impaired assets are provided for in full.

### **Credit Risk – Trade and Other Receivables**

The Group has no significant concentration of credit risk with respect to any single counter party or Group of counter parties. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia and Asia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Australia	12,495,625	14,100,962
Asia	3,265,216	2,797,613
	<u><b>15,760,841</b></u>	<u><b>16,898,575</b></u>



# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 4. TRADE & OTHER RECEIVABLES (continued)

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

Economic Entity	<u>Gross Amount</u>	<u>Past Due not Impaired (Days Overdue)</u>				<u>Within Trading Terms</u>
		<u>Past Due &amp; Impaired</u>	<u>&lt;30 Days</u>	<u>31-60 Days</u>	<u>&gt;61 Days</u>	
	\$	\$	\$	\$	\$	\$
<b>2015</b>						
Trade & term receivables	15,375,577	404,631	4,277,472	1,013,807	1,054,505	8,625,162
Other receivables	789,895	-	-	-	-	789,895
	<u>16,165,472</u>	<u>404,631</u>	<u>4,277,472</u>	<u>1,013,807</u>	<u>1,054,505</u>	<u>9,415,057</u>
<b>2014</b>						
Trade & term receivables	13,602,806	273,309	2,248,772	938,730	1,521,496	8,620,499
Other receivables	3,569,078	-	-	-	-	3,569,078
	<u>17,171,884</u>	<u>273,309</u>	<u>2,248,772</u>	<u>938,730</u>	<u>1,521,496</u>	<u>12,189,577</u>

The economic entity holds no financial assets with terms that have been negotiated, but which would otherwise be past due or impaired.

Trade and other receivables pertaining to the Australian entities in the Group, as disclosed in Note 32, are provided as security against the Group's bank facilities. Also refer Notes 11 and 12.

### Provision for Impairment of Receivables

	<u>Economic Entity</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Opening balance	273,309	84,304
Charge for year	131,322	189,005
Closing balance	<u>404,631</u>	<u>273,309</u>

### 5. INVENTORIES

#### Current

Raw materials and stores – at cost	1,825,064	1,983,863
	<u>1,825,064</u>	<u>1,983,863</u>

Inventories pertaining to the Australian entities in the Group, as disclosed in Note 32, are provided as security against the Group's bank facilities. Also refer Notes 11 and 12.

### 6. FINANCIAL ASSETS

#### Current assets

Funds on deposit	63,729	9,947
	<u>63,729</u>	<u>9,947</u>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>6. FINANCIAL ASSETS (continued)</b>		
<b>Non-current assets</b>		
Funds on deposit	-	52,091
	<b>-</b>	<b>52,091</b>

Funds on deposit represent security deposits covering a guarantee for property lease obligations and contract performance bonds.

<b>7. PLANT AND EQUIPMENT</b>		
<b>Plant and equipment</b>		
At cost	10,965,005	9,752,888
Accumulated depreciation	(5,882,503)	(5,104,606)
	<b>5,082,502</b>	<b>4,648,282</b>
<b>Movement in carrying amounts</b>		
Carrying amount – opening balance	4,648,282	5,586,374
Additions	1,106,368	557,819
Disposals	(84,459)	(329,898)
Depreciation	(846,388)	(807,481)
Impairment of plant and equipment	-	(343,409)
Reclassification of stock	245,400	-
Exchange rate adjustment	13,299	(15,123)
Carrying amount – closing balance	<b>5,082,502</b>	<b>4,648,282</b>

Plant and equipment pertaining to the Australian entities in the Group, as disclosed in Note 32, are provided as security against the Group's bank facilities. Also refer Notes 11 and 12.

<b>8. TAX ASSETS</b>		
<b>NON-CURRENT</b>		
Deferred tax assets	<b>4,313,415</b>	<b>4,313,415</b>
Deferred tax assets comprise:		
Provisions	891,679	891,679
Other	60,571	60,571
Un-recouped tax losses	3,361,165	3,361,165
	<b>4,313,415</b>	<b>4,313,415</b>

The movement in deferred tax assets for each temporary difference during the year is as follows:

<b>Provisions</b>		
Opening balance	891,679	670,918
Credited/(expensed) to income account	-	220,761
	<b>891,679</b>	<b>891,679</b>
<b>Other</b>		
Opening balance	60,571	50,868
Credited/(expensed) to income account	-	9,703
	<b>60,571</b>	<b>60,571</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>8. TAX ASSETS (Continued)</b>		
<b>Unrecouped tax losses</b>		
Opening balance	3,361,165	2,682,929
Tax losses recognised/(recouped)	-	694,441
Prior year adjustment	-	(16,205)
	<u>3,361,165</u>	<u>3,361,165</u>
<b>Closing balance</b>	<b><u>4,313,415</u></b>	<b><u>4,313,415</u></b>

The company has considered it appropriate, given the quantum of the accounting losses in the financial year, to not recognize in the financial accounts the benefit of additional tax losses which relate to the current financial year. These additional tax losses total \$4,030,491. If these losses had been recognized at 30 June 2015 the net loss after tax would have reduced by \$1,202,147. Correspondingly the carrying values of deferred tax assets in the Statement of Financial Position would increase by \$1,202,147.

The company has extrapolated profit projections based on a modest 5% growth path. These projections support the recovery of the carrying value of deferred tax assets at 30 June 2015 of \$4,313,415 within a six year time frame. The Directors consider this to be an acceptable timeframe for assessing the recovery of the carrying value of deferred tax assets as probable.

### TAX LIABILITIES

#### CURRENT

Income tax	-	750
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#### NON-CURRENT

Provision for deferred tax	<u>23,469</u>	<u>47,219</u>
<b>Opening balance</b>	47,219	49,588
Additional provisions raised during year	(25,818)	(119)
Exchange rate movement	2,068	(2,250)
<b>Closing balance</b>	<b><u>23,469</u></b>	<b><u>47,219</u></b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>9. INTANGIBLE ASSETS</b>		
Goodwill on consolidation – at cost	3,282,532	3,282,532
Less accumulated impairment	-	-
	<u>3,282,532</u>	<u>3,282,532</u>
Goodwill on acquisition – at cost	24,606,758	24,606,758
Less accumulated impairment	(15,817,280)	(11,813,481)
	<u>8,789,478</u>	<u>12,793,277</u>
	<u><b>12,072,010</b></u>	<u><b>16,075,809</b></u>

### Movements in carrying amounts

#### **Goodwill on consolidation**

Opening balance	3,282,532	3,282,532
Movement in the year	-	-
<b>Closing balance</b>	<u><b>3,282,532</b></u>	<u><b>3,282,532</b></u>

#### **Goodwill on acquisition**

Opening balance	12,793,277	16,706,758
Movement in year:		
Impairment – TSF Engineering	(4,003,799)	(3,913,481)
<b>Closing balance</b>	<u><b>8,789,478</b></u>	<u><b>12,793,277</b></u>

It has been determined that the balances of the goodwill have an indefinite life. The excess of the fair value of net assets over the purchase price of the businesses acquired has been allocated to goodwill rather than be allocated to other intangible assets. The acquisition of the businesses that generate the goodwill was determined on the abilities of the entities, as a whole, to generate future profits and hence other intangibles have not been recognised.

Goodwill is allocated to cash-generating units which are based on the Group's individual companies. All businesses operate in the engineering services industry sector.

Water Group – Syfon Systems	3,282,532	3,282,532
Engineering Group – Brockman Engineering	8,789,478	8,789,478
Energy Group - TSF Engineering	15,817,280	15,817,280
Impairment – TSF Engineering	(15,817,280)	(11,813,481)
	<u><b>12,072,010</b></u>	<u><b>16,075,809</b></u>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 9. INTANGIBLE ASSETS (Continued)

The current uncertainty which persists with respect to the Government's position on energy and its pricing has significantly delayed the roll out of the Group's clean energy strategy. The clean energy solutions being offered by TSF have supportable benefits to prospective clients. However, there is a general reluctance to commit to invest in these solutions by the end users until the Federal Government establishes its energy and pricing position. As such TSF continues to face protracted lead times on clean energy opportunities.

Given these prevailing externally driven hurdles which the Group's clean energy strategy is facing, the Directors considered it appropriate to further impair at 30 June 2015 the remaining carrying value of goodwill in TSF. This resulted in an impairment at 30 June 2015 of \$4,003,799. At 30 June 2015 the carrying value of the TSF Engineering Goodwill was \$Nil.

#### **Impairment Disclosures**

The EVZ Group assesses at each annual reporting date the potential impairment to the carrying value of Goodwill of the relevant cash generating unit (CGU).

The recoverable amount of each CGU (Brockman Engineering, Syfon Systems and TSF Engineering) is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period adjusted for the estimated terminal value of the cash generating unit. The cash flows are discounted using a rate reflecting the Group's weighted average cost of capital plus an appropriate margin for risk factors at the beginning of the budget period. All discount rates are pre-tax.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2014

### 9. INTANGIBLE ASSETS (Continued)

Budgets use estimated weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the businesses operate. The following assumptions were used in the value-in-use calculations:

	2015		2014	
	Growth Rates	Discount Rates	Growth Rates	Discount Rates
Syfon Systems Group	5%	18%	5%	18%
Brockman Engineering Group	5%	18%	5%	18%
TSF Engineering Group	-	-	1 to 5%	18%

The Risk factor incorporated in the Discount rate is consistent with the prior year.

The growth rates used in the value-in-use calculations are conservative rates reflecting the minimum expected growth in each of the relevant CGUs. These rates are based on forward work-in-hand levels, weighted project prospects and/or historical growth rates achieved. In addition, each CGU is in a niche market which has limited competitive influence.

#### Sensitivity Analysis

In performing impairment testing on the carrying values of goodwill, certain discount rates and growth rates have been assumed as part of the value-in-use calculations.

The following table illustrates sensitivities to changes in those discount rates and growth rates. The discount and growth rates used in the sensitivity analysis are:

	Growth Rates	Discount Rates
Syfon Systems Group	3%	25%
Brockman Engineering Group	3%	25%

#### Impairment to Carrying Value of Goodwill

Syfon Systems Group	1,416,578
Brockman Engineering Group	-

### 10. TRADE AND OTHER PAYABLES

	Economic Entity	
	2015	2014
	\$	\$
<b>Current – unsecured</b>		
Trade payables	7,775,116	10,139,039
Sundry payables and accrued expense	7,096,309	3,678,360
	<b>14,871,425</b>	<b>13,817,399</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>11. BORROWINGS – SHORT TERM</b>		
Bank loans – secured	8,250,000	1,000,000
Bank overdraft - secured	5,077,796	2,574,688
Lease liabilities (Note 24) – secured	126,412	92,161
	<b>13,454,208</b>	<b>3,666,849</b>

### Bank Loans - Secured

At 30 June 2015 Bank loans are in the form of a Market Rate Loan. The loan matured on 1 October 2015. In prior years the loans were in the form of Commercial Bank Bills. During the year \$1 million was converted from a bank overdraft facility into the Market Rate Loan. During the year Bank loans of \$1m were repaid.

Current	8,250,000	1,000,000
1 to 2 years	-	7,250,000
2 to 3 years	-	-
<b>Total Bank Loans</b>	<b>8,250,000</b>	<b>8,250,000</b>

The interest rates on outstanding bank loans are variable. In the prior year Bank loans totalling \$1,500,000 had been fixed as follows:

	<b>2015</b>	<b>2014</b>	<b>Interest Rates</b>	
	<b>\$</b>	<b>\$</b>	<b>2015</b>	<b>2014</b>
	-	1,500,000	-	3.63%
	<b>-</b>	<b>1,500,000</b>		

The interest rate on Bank Loans is variable at balance date. The interest on these loans is charged at the prevailing bank bill rate plus an applicable line fee. Interest is payable quarterly in arrears.

Bank loans are secured by a registered equitable mortgage over the assets and undertakings of EVZ Limited and an unlimited guarantee from EVZ Limited's Australian controlled entities: Syfon Systems Pty Ltd, Brockman Engineering Pty Ltd, NuSource Water Pty Ltd, A.C.N. 124919508 Pty Ltd, TSF Engineering Pty Ltd and TSF Maintenance Services Pty Ltd. Also refer to Note 32 for quantification of assets secured by Australian entities.

At 30 June 2015 the economic entity has \$Nil in undrawn bank loan facilities (2014: Nil).

Subsequent to balance date the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the exiting bank overdraft into a market rate loan facility. The covenants associated with this facility remain unchanged being an interest cover covenant (of 3 times EBIT) and a current ratio covenant (of 1.25 times). The security over the extended facility remains unchanged.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity	
	2015	2014
	\$	\$
<b>12. BORROWINGS - LONG-TERM</b>		
Bank loans – secured	-	7,250,000
Lease liabilities (Note 24) – secured	241,268	205,614
	<b>241,268</b>	<b>7,455,614</b>

Also refer to Note 11 for further information on bank loans.

### 13. PROVISIONS

#### Current

Employee benefits	3,127,660	2,380,563
	<b>3,127,660</b>	<b>2,380,563</b>

Movement in employee benefits:

Opening employee balance	2,380,563	2,162,396
Provisions created/(utilised) during year	747,097	218,167

#### Closing balance

	<b>3,127,660</b>	<b>2,380,563</b>
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#### Non-current

Employee benefits	149,738	60,595
	<b>149,738</b>	<b>60,595</b>

Movement in employee benefits:

Opening employee balance	60,595	55,934
Provisions created/(utilised) during year	89,143	4,661

#### Closing balance

	<b>149,738</b>	<b>60,595</b>
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A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measure and recognition criteria relating to employee benefits are disclosed in Note 1(k).

### 14. ISSUED CAPITAL

Issued and paid up

210,548,789 ordinary shares

(2014: 208,439,414 ordinary shares) – refer Note 14(a)

	46,088,909	46,055,159
	<b>46,088,909</b>	<b>46,055,159</b>

#### (a) Issued and fully paid up ordinary shares

Opening balance	46,055,159	46,055,159
Issue	33,750	-

#### Closing balance

	<b>46,088,909</b>	<b>46,055,159</b>
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# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 14. ISSUED CAPITAL (Continued)

	2015 No.	2014 No.
Opening balance	208,439,414	208,439,414
Issue	2,109,375	-
<b>Closing balance</b>	<b>210,548,789</b>	<b>208,439,414</b>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

#### (b) Share options

There are no share options on issue at 30 June 2015 (2014: Nil).

#### (c) Capital management:

Management controls the capital of the economic entity in order to maintain a good debt to equity ratio, provide shareholders with adequate returns and ensure the economic entity can fund its operations and continue as a going concern. The economic entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements. Management effectively manages the economic entity's capital by assessing the economic entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The economic entity's gearing ratio is represented as net debt as a percentage of total capital and is determined as follows:

- Net debt is total borrowings less cash and cash equivalents.
- Total capital is total equity and net debt.

As at 30 June 2015 the economic entity's gearing ratio was 61% (2014: 33%).

### 15. DIVIDENDS

Interim fully franked ordinary dividend	-	-
Final fully franked ordinary dividend	-	-
	-	-
Balance of franking account	<b>1,813,797</b>	<b>1,813,797</b>

### 16. RESERVES AND ACCUMULATED LOSSES

#### (a) Accumulated Losses

Accumulated losses at the beginning of the financial year	(27,349,137)	(21,137,642)
Net profit/(loss) attributable to members of the parent entity	(10,426,791)	(6,211,495)
Accumulated losses at the end of the financial year	<b>(37,775,928)</b>	<b>(27,349,137)</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

		Economic Entity	
		2015	2014
		\$	\$
<b>16. RESERVES AND ACCUMULATED LOSSES (Continued)</b>			
<b>(b) Reserves</b>			
<b>Foreign Currency Translation Reserve</b>			
Reserve at beginning of year		(105,920)	(40,933)
Movement for year		56,598	(64,987)
Reserve at end of year		<b>(49,322)</b>	<b>(105,920)</b>

		Economic Entity	
		2015	2014
		No.	No.
<b>17. EARNINGS PER SHARE</b>			
<b>(a)</b> Weighted average number of ordinary shares outstanding during the year used in calculation of Basic Earnings per Share		209,052,000	208,439,414
<b>(b)</b> Weighted average number of ordinary shares outstanding during the year used in calculation of Diluted Earnings per Share		209,052,000	208,439,414

### 18. KEY MANAGEMENT PERSONNEL

Names and positions of Directors and Key Management Personnel in office at any time during the financial year are:

Mr M Findlay	Non-Executive Chairman
Mr G Burns	Non-Executive Director
Mr R Edgley	Non-Executive Director
Ms R Murphy (Resigned 4 March 2016)	Non-Executive Director
Mr S Farthing	Chief Executive Officer
Mr I Wallace	Chief Financial Officer and Company Secretary
Mr A Bellgrove	General Manager of Syfon Systems Group
Mr C Bishop	General Manager of Brockman Engineering
Mr A Green (Resigned 12/2/15)	General Manager of TSF Engineering Group
Mr I Whitford (Appointed 1/7/14)	Manager of TSF Maintenance Services

Remuneration of Key Management Personnel is:

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 18. KEY MANAGEMENT PERSONNEL (Continued)

	2015 \$	2014 \$
• Short term employee benefits	1,635,365	1,827,413
• Post-employment benefits	124,914	120,058
	<b>1,760,279</b>	<b>1,947,471</b>

Refer to disclosures in Note 20 for other transactions with directors and Key Management Personnel.

The number of ordinary shares held by each Key Management Personnel of the Group during the financial year is as follows:

	Balance at beginning of year	Granted as remuneration	Other changes	Balance at end of year
<b>30 June 2015</b>				
M Findlay	1,644,500	-	-	1,644,500
G Burns	10,000,000	-	543,985	10,543,985
R Edgley	3,741,232	-	-	3,741,232
R Murphy (Resigned 4 March 2016)	42,500	-	-	42,500
S Farthing	1,000,000	-	2,109,375	3,109,375
I Wallace	75,008	-	-	75,008
C Bishop	-	-	-	-
A Bellgrove	4,401,949	-	-	4,401,949
A Green (resigned 12/2/15)	132,000	-	(132,000)	-
I Whitford	-	-	-	-
	<b>21,037,189</b>	<b>-</b>	<b>2,521,360</b>	<b>23,558,549</b>

<b>30 June 2014</b>				
M Findlay	1,644,500	-	-	1,644,500
G Burns	8,999,021	-	1,000,979	10,000,000
R Edgley	2,800,000	-	941,232	3,741,232
R Murphy	42,500	-	-	42,500
S Farthing	1,000,000	-	-	1,000,000
I Wallace	75,008	-	-	75,008
C Bishop	-	-	-	-
M Goddard	421,949	-	(421,949)	-
A Bellgrove	4,401,949	-	-	4,401,949
A Green	132,000	-	-	132,000
C Flanagan	6,500	-	(6,500)	-
	<b>19,523,427</b>	<b>-</b>	<b>1,513,762</b>	<b>21,037,189</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 18. KEY MANAGEMENT PERSONNEL (Continued)

There are no share options issued at 30 June 2015 (2014: Nil).

#### Remuneration Policy

The remuneration policy of EVZ Limited has been designed to align Director and Executive remuneration with shareholder and business objectives by providing a fixed remuneration component and where appropriate offering specific short and long-term incentives based on key performance areas affecting the economic entity's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and Executives to govern and manage the economic entity, as well as to create goal congruence between Directors, Executives and Shareholders.

#### Executive Remuneration

The Board's policy for determining the nature and amount of remuneration for key senior Executives for the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for Executive officers, was developed by the Remuneration Committee and approved by the Board after seeking professional advice where appropriate from independent external consultants.
- All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and where appropriate performance incentives.

The Remuneration Committee reviews Executive remuneration packages annually with reference to the economic entity's performance, each Executive's performance and comparable information from industry sectors and listed companies in similar industries. The performance of each Executive is measured against criteria agreed with each Executive and is based predominantly on forecast growth of the economic entity's profits and shareholders' value. Bonuses and incentives will be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The Remuneration Committee set certain key performance indicators for the key Executives in the Group. The key performance indicators were both quantitative and qualitative measures. Certain Executives met some of these key performance indicators and the Remuneration Committee approved short term incentive payments totaling \$22,765 (2014: \$41,750). Long term incentives, linked with performance rights issued under the EVZ Directors' and Employees' Benefits Plan, were not met during the current year and no performance rights, options or shares were issued in respect of the current year. During the year the CEO accepted his prior year bonus of \$33,750 in fully paid ordinary shares. This resulted in 2,109,375 fully paid ordinary shares being issued during the current year. There were no other share based payments.

Executives receive a superannuation guarantee contribution as required by the Government and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to Executives is valued at the cost to the Company and expensed.

#### Director Remuneration

The Board's policy is to remunerate Non-Executive Directors at appropriate market rates. The Remuneration Committee recommends the fee structure for Non-Executive Directors which will be determined by reference to market practice, duties performed, time, commitment and accountability. Director fees are reviewed annually by the Remuneration Committee.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 18. KEY MANAGEMENT PERSONNEL (Continued)

The Remuneration Committee may seek independent advice in determining appropriate fee structures for Directors.

The maximum aggregate amount of fees payable to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may be able to participate in any employee share/option plan introduced.

All remuneration paid to Directors is valued at the cost to the Company and expensed.

### 19. AUDITORS' REMUNERATION

	Economic Entity	
	2015	2014
	\$	\$
Remuneration paid/payable to auditors for:		
- audit or review of financial report	88,000	84,650
- taxation services	-	-
	<b>88,000</b>	<b>84,650</b>

### 20. RELATED PARTY DISCLOSURES

#### (a) The Directors of EVZ Limited during the financial year were:

Mr M Findlay  
Mr G Burns  
Mr R Edgley  
Ms R Murphy (Resigned 4 March 2016)

#### (b) Transactions with Director related entities

- Directors fees of \$66,666 (2014: \$100,000) were paid and \$98,333 (2014: \$65,000) is payable to M Findlay.
- Directors fees of \$33,750 (2014: \$45,000) were paid and \$17,500 (2014: \$11,250) is payable to G Burns.
- Directors fees of \$31,250 (2014: \$41,250) were paid and \$14,583 (2014: \$7,500) is payable to R Edgley.
- Directors fees of \$45,000 (2014 \$11,250) were paid and \$40,000 (2014: \$45,000) is payable to R Murphy.

### 21. SEGMENT REPORTING

#### Segment Information

##### *Identification of reportable segments*

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 21 SEGMENT REPORTING (Continued)

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the type or class of customer for the products or services;
- the distribution method; and
- any external regulatory requirements

#### ***Types of products and services by segment***

##### ***i. Engineering***

The engineering segment designs, manufactures and installs large steel tanks, silos, cooling towers, pipe spooling, pressure vessels and fabricates structural steel. All products produced are aggregated as one reportable segment as the products are similar in nature, manufactured and distributed to similar types of customers and subject to a similar regulatory environment.

The engineering segment is also involved in the installation process and provides ongoing support and maintenance for its products. Support is provided to existing customers for maintenance required for products under warranty.

##### ***ii. Energy***

The energy segment designs and installs constant load power stations, back-up power generation equipment and sustainable/clean energy solutions. In addition, the segment services, maintains and hires all types of generators and associated equipment.

##### ***iii. Water***

The water segment designs syfonic roof drainage systems for large and/or complex roof structures, supplies and installs fibreglass panel tanks and prefabricated hydraulic systems.

#### ***Basis of accounting for purposes of reporting by operating segments***

##### ***i. Accounting policies adopted***

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

##### ***ii. Inter-segment transactions***

Inter-segment sales are based on values that would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 21 SEGMENT REPORTING (Continued)

#### iii. *Segment assets*

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

#### iv. *Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

#### v. *Unallocated items*

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Current tax liabilities
- Other financial liabilities

### Segment Reporting – Continuing Operations

	Engineering	Energy	Water	Corporate	Total
30 June 2015	\$	\$	\$	\$	\$
<b>REVENUE</b>					
External sales	31,589,603	15,054,393	23,667,746	-	70,311,742
Inter-segment sales	1,447,835	-	-	-	1,447,835
<b>Total segment revenue</b>	<b>33,037,438</b>	<b>15,054,393</b>	<b>23,667,746</b>	<b>-</b>	<b>71,759,577</b>
<i>Reconciliation of segment revenue to Group revenue</i>					
Inter-segment elimination					(1,447,835)
<b>Total Group revenue</b>					<b>70,311,742</b>
<i>Included in segment net profit before interest and tax</i>					
Depreciation	438,266	130,814	267,554	9,754	846,388
Impairment					
• Receivables	(83,813)	-	215,135	-	131,322
• Goodwill	-	4,003,799	-	-	4,003,799

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 21. SEGMENT REPORTING (Continued)

30 June 2015	Engineering	Energy	Water	Corporate	Total
	\$	\$	\$	\$	\$
<b>Segment net profit/(loss) before interest and tax</b>	<b>1,658,224</b>	<b>(8,670,745)</b>	<b>(265,554)</b>	<b>(1,447,509)</b>	<b>(8,725,584)</b>

*Reconciliation of segment result to Group net profit before tax*

Unallocated items

• Net finance costs					(1,664,230)
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<b>Net loss before tax from continuing operations</b>					<b>(10,389,814)</b>
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### 30 June 2014

#### REVENUE

External sales	19,376,766	23,413,989	21,642,400	-	64,433,155
Inter-segment sales	1,675,373	-	-	-	1,675,373
<b>Total segment revenue</b>	<b>21,052,139</b>	<b>23,413,989</b>	<b>21,642,400</b>	<b>-</b>	<b>66,108,528</b>

*Reconciliation of segment revenue to Group revenue*

Inter-segment elimination					(1,675,373)
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<b>Total Group revenue</b>					<b>64,433,155</b>
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*Included in segment net profit before interest and tax*

Depreciation	392,363	172,109	233,078	9,931	807,481
Impairment					
• Receivables	1,791	-	187,214	-	189,005
• Plant and equipment	-	343,409	-	-	343,409
• Other assets	-	373,712	-	-	373,712
• Goodwill	-	3,913,481	-	-	3,913,481

<b>Segment net profit/(loss) before interest and tax</b>	<b>(1,701,533)</b>	<b>(4,282,061)</b>	<b>1,847,515</b>	<b>(1,439,895)</b>	<b>(5,575,974)</b>
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*Reconciliation of segment result to Group net profit before tax*

Unallocated items

• Net finance costs					(1,099,611)
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• Other costs					(437,602)
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<b>Net loss before tax from continuing operations</b>					<b>(7,113,187)</b>
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# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 21 SEGMENT REPORTING (Continued)

#### Secondary Reporting

30 June 2015	Engineering \$	Energy \$	Water \$	Corporate \$	Total \$
<b>ASSETS</b>					
<b>Segment assets</b>	<b>21,661,180</b>	<b>846,210</b>	<b>15,217,723</b>	<b>26,722,341</b>	<b>64,447,454</b>
<i>Reconciliation of segment assets to Group assets</i>					
Inter-segment eliminations					(24,316,027)
<b>Total Group assets</b>					<b>40,131,427</b>
<i>Segment asset increases for the period</i>					
Capital expenditure	581,338	135,669	389,361	-	1,106,368
	<b>581,338</b>	<b>135,669</b>	<b>389,361</b>	<b>-</b>	<b>1,106,368</b>
<b>LIABILITIES</b>					
<b>Segment liabilities</b>	<b>24,903,777</b>	<b>20,355,449</b>	<b>6,510,467</b>	<b>8,964,621</b>	<b>60,734,314</b>
<i>Reconciliation of segment liabilities to Group liabilities</i>					
Inter-segment eliminations					(28,866,546)
<b>Total Group liabilities</b>					<b>31,867,768</b>
<b>30 June 2014</b>					
<b>Segment assets</b>	<b>18,683,863</b>	<b>9,048,242</b>	<b>16,089,982</b>	<b>29,598,347</b>	<b>73,420,434</b>
<i>Reconciliation of segment assets to Group assets</i>					
Inter-segment eliminations					(27,391,343)
<b>Total Group assets</b>					<b>46,029,091</b>
<i>Segment asset increases for the period</i>					
Capital expenditure	106,813	53,669	397,337	-	557,819
	<b>106,813</b>	<b>53,669</b>	<b>397,337</b>	<b>-</b>	<b>557,819</b>
<b>LIABILITIES</b>					
<b>Segment liabilities</b>	<b>23,593,839</b>	<b>19,312,407</b>	<b>6,518,311</b>	<b>9,596,550</b>	<b>59,021,107</b>
<i>Reconciliation of segment liabilities to Group liabilities</i>					
Inter-segment eliminations					(31,592,118)
<b>Total Group liabilities</b>					<b>27,428,989</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 21. SEGMENT REPORTING (Continued)

#### REVENUE BY GEOGRAPHICAL REGION

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Australia	64,973,643	60,613,175
Asia	5,338,099	3,819,980
<b>Total revenue</b>	<b>70,311,742</b>	<b>64,433,155</b>

#### ASSETS BY GEOGRAPHICAL REGION

The location of segment assets by geographical location of the assets is disclosed below:

Australia	34,185,782	40,942,022
Asia	5,945,645	5,087,069
<b>Total assets</b>	<b>40,131,427</b>	<b>46,029,091</b>

#### MAJOR CUSTOMERS

The Group has a number of customers to whom it provides products and services. In the current year, the Group has a single customer in the Energy segment who accounts for 56% (2014: 77%) of external revenue. There are no other significant client accounts.

### 22. STATEMENT OF CASH FLOWS

#### (i) Cash balances comprise:

Cash on hand	1,013,866	2,047,109
Bank overdraft	(5,077,796)	(2,574,688)
<b>Closing cash balance</b>	<b>(4,063,930)</b>	<b>(527,579)</b>

#### (ii) Reconciliation of the operating profit/(loss) after tax to net cash flows from operations:

Operating profit/(loss) after tax	(10,426,791)	(6,211,495)
Gain/loss on sale of plant and equipment	(10,144)	2,144
Depreciation - plant & equipment	846,388	807,481
Foreign currency translation	43,299	(49,864)
Impairment - receivables	131,322	189,005
Impairment - plant and equipment	162,855	343,409
Impairment - other assets	-	373,712
Impairment - goodwill	4,003,799	3,913,481
<b>Changes in assets and liabilities adjusted for effects of acquisition/disposal of operations during financial year</b>		
Increase/(Decrease) in provisions for employee entitlements	836,240	222,828
(Increase)/Decrease in inventories	(249,456)	(280,400)

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 22. STATEMENT OF CASH FLOWS (Continued)

	Economic Entity	
	2015	2014
	\$	\$
(Increase)/Decrease in trade and other receivables	1,004,721	(1,600,582)
(Increase)/Decrease in deferred tax assets	-	(908,700)
Increase/(Decrease) in payables	1,087,776	3,711,343
Increase/(Decrease) in tax liabilities	(24,500)	(31,010)
<b>Net cash provided/(used) by operating activities</b>	<b>(2,594,491)</b>	<b>481,352</b>

### 23. STANDBY ARRANGEMENTS AND UNUSED CREDIT FACILITIES

Controlled entities in the economic entity have Contingent Liability Bank Guarantee facilities and Letter of Credit Facilities totalling \$4,182,925 available to them as at 30 June 2015 (2014: \$7,730,332). Of this total facility, \$3,742,013 had been utilised and \$440,912 (2014: \$2,231,142) remained unused and available for the controlled entities use as at 30 June 2015. The facilities are secured by a registered equitable mortgage over the assets and undertakings of all Australian companies in the economic entity.

Controlled entities in the economic entity had Bank Overdraft facilities totaling \$5,080,000 available to them as at 30 June 2015 (2014: \$2,629,668). Of the total available facilities, \$2,204 (2014: \$54,980) remained unused and available for use. The facilities are secured by registered equitable mortgages over the assets and undertakings of all Australian companies in the economic entity.

In March 2016 the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the existing bank overdraft into a market rate loan facility.

### 24. LEASE COMMITMENTS

Leases are payable as follows:

Not later than 12 months	143,934	108,949
Later than 12 months but not later than 2 years	130,670	91,162
Later than 2 years but not later than 5 years	127,540	131,136
Later than 5 years	-	4,974
	402,144	336,221
Future lease finance charges	(34,464)	(38,446)
	<b>367,680</b>	<b>297,775</b>
Lease liabilities recognised in the statement of financial position:		
Current	126,412	92,161
Non-current	241,268	205,614
Total lease liability	<b>367,680</b>	<b>297,775</b>

The weighted average interest rate implicit in these leases is 4.77% pa (2014: 5.82% pa). Leases pertain to various plant, equipment and motor vehicles and are secured against the asset to which they relate.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

	Economic Entity	
	2015	2014
	\$	\$
<b>25. OPERATING LEASE COMMITMENTS</b>		
<b>Property</b>		
Not later than 12 months	732,382	764,636
Between 12 months but not later than 5 years	438,464	874,550
	<u>1,170,846</u>	<u>1,639,186</u>
<b>Plant and equipment</b>		
Not later than 12 months	158,240	77,436
Between 12 months but not later than 5 years	413,766	137,847
	<u>572,006</u>	<u>215,283</u>
Total commitments not recognised in the financial statements	<u><b>1,742,852</b></u>	<u><b>1,854,469</b></u>

Property leases and plant and equipment leases are non-cancellable with a maximum five year term, with rent payable in advance. Property leases have contingent rental provisions within the lease agreement which require the minimum lease payments to be increased by at least the CPI per annum. Options exist to renew certain leases at the end of their lease term. With the approval of the lessors the property leases may be extended for further terms.

### 26. CONTINGENT LIABILITIES

Apart from drawn bank guarantee facilities (refer Note 23), there were no contingent liabilities as at 30 June 2015 (2014: Nil).

### 27. FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bank bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

#### (i) Treasury Risk Management

The Board of Directors is responsible for monitoring treasury risk. Currency and interest rate exposures are reviewed regularly to ensure any risk associated with these exposures is minimized.

#### (ii) Financial Risks

The main risks the economic entity is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

- *Interest rate risk*

The majority of the economic entity's borrowings take the form of bank loans. All bank loans matured on 1 October 2015. Subsequent to balance date the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the exiting bank overdraft into a market rate loan facility.

- *Foreign currency risk*

The economic entity is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the economic entity's measurement currency. The economic entity monitors its foreign exchange exposure on a regular basis.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 27. FINANCIAL INSTRUMENTS (Continued)

- *Liquidity risk*  
The economic entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves are maintained.
- *Credit risk*  
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The economic entity does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the economic entity.

#### (a) Interest Rate Risk Exposures

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the economic entity intends to hold fixed rate, assets and liabilities to maturity.

2015	Floating interest rate \$	Fixed Interest			Non- interest bearing \$	Total \$
		1 year or less \$	1-5 years \$	More than 5 years \$		
<b>Financial Assets</b>						
Cash & cash equivalents	-	-	-	-	1,013,866	1,013,866
Trade & other receivables	-	-	-	-	15,760,841	15,760,841
Financial assets	-	-	-	-	63,729	63,729
	-	-	-	-	16,838,436	16,838,436
Weighted average interest rate	-	-	-	-	-	-
<b>Financial Liabilities</b>						
Trade & other payables	-	-	-	-	14,871,425	14,871,425
Borrowings	13,327,796	-	-	-	-	13,327,796
Lease liabilities	-	126,412	241,268	-	-	367,680
	13,327,796	126,412	241,268	-	14,871,425	28,566,901
Weighted average interest rate	9.61%	4.77%	4.77%	-	-	-
<b>Net financial assets (liabilities)</b>	<b>(13,327,796)</b>	<b>(126,412)</b>	<b>(241,268)</b>	<b>-</b>	<b>1,967,011</b>	<b>(11,728,465)</b>
<b>2014</b>						
<b>Financial Assets</b>						
Cash & cash equivalents	-	-	-	-	2,047,109	2,047,109
Trade & other receivables	-	-	-	-	16,898,575	16,898,575
Financial assets	-	-	-	-	62,038	62,038
	-	-	-	-	19,007,722	19,007,722
Weighted average interest rate	-	-	-	-	-	-

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 27. FINANCIAL INSTRUMENTS (Continued)

2014	Floating interest rate \$	1 year or less \$	<u>Fixed Interest</u>		Non- interest bearing \$	Total \$
			1-5 years \$	More than 5 years \$		
<b>Financial Liabilities</b>						
Trade & other payables	-	-	-	-	13,817,399	13,817,399
Borrowings	2,574,688	8,250,000	-	-	-	10,824,688
Lease liabilities	-	92,161	201,082	4,532	-	297,775
	2,574,688	8,342,161	201,082	4,532	13,817,399	24,939,862
Weighted average interest rate	12.48%	6.7%	6.75%	5.82%	-	-
<b>Net financial assets (liabilities)</b>	<b>(2,574,688)</b>	<b>(8,342,161)</b>	<b>(201,082)</b>	<b>(4,532)</b>	<b>5,190,323</b>	<b>(5,932,140)</b>

	<u>Economic Entity</u>	
	2015 \$	2014 \$
<b>Reconciliation of Net Financials Assets/(Liabilities) to Net Assets</b>		
Net financial assets/(liabilities)	(11,728,465)	(5,932,140)
Add/(subtract) non-financial assets and liabilities:		
Inventories	1,825,064	1,983,863
Plant and equipment	5,082,502	4,648,282
Intangible assets	12,072,010	16,075,809
Deferred tax assets	4,313,415	4,313,415
Provisions	(3,300,867)	(2,489,127)
<b>Net Assets</b>	<b>8,263,659</b>	<b>18,600,102</b>

#### (b) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the economic entity approximate their carrying value.

#### (c) Liquidity Risk

Refer to Note 27(a) for a maturity analysis of financial assets and liabilities. All floating interest rate balances and all non-interest bearing balances except for Retention Receivables totalling \$978,754 (refer Note 4) are current and due within 12 months.

#### (d) Sensitivity Analysis

The interest rate on Bank loans is variable (2014: Fixed - \$1,500,000). The Group believes it has minimal exposure to interest rate risk for the remainder of the facility term given the current economic stability in interest rates.

#### (e) Foreign Currency Risk

Refer Note 21 for a breakdown of revenue and assets by geographic location. Whilst the economic entity monitors its foreign exchange risk, it does not believe there is any material risk associated with its foreign exchange exposure.

#### (f) Price Risk

The economic entity believes it has minimal exposure to price risk as costs of major materials and components are set at the time of project tender.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 28. SHARE BASED PAYMENTS

During the year the CEO accepted his prior year bonus of \$33,750 in fully paid ordinary shares. This resulted in 2,109,375 fully paid ordinary shares being issued during the current year. There were no other share based payments.

### 29. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holdings		Cost of Parent Entity's Investment	
			2015	2014	2015 \$	2014 \$
Syfon Systems Pty Ltd	Australia	Ordinary	100%	100%	3,700,650	3,700,650
Syfon Systems Sdn Bhd	Malaysia	Ordinary	100%	100%	34,504	34,504
Brockman Engineering Pty Ltd	Australia	Ordinary	100%	100%	-	-
NuSource Water Pty Ltd	Australia	Ordinary	100%	100%	-	-
Danum Engineering Pty Ltd	Australia	Ordinary	100%	100%	-	-
A.C.N. 124919508 Pty Ltd	Australia	Ordinary	100%	100%	-	-
TSF Engineering Pty Ltd	Australia	Ordinary	100%	100%	-	-
Syfon Systems Pte Ltd	Singapore	Ordinary	100%	100%	-	-
EVZ Engineering Pty Ltd	Australia	Ordinary	100%	100%	-	-
EVZ Energy Pty Ltd	Australia	Ordinary	100%	100%	-	-
					<b>3,735,154</b>	<b>3,735,154</b>

EVZ Engineering Pty Ltd, EVZ Energy Pty Ltd and NuSource Water Pty Ltd did not trade during the year.

### 30. SUBSEQUENT EVENTS

Subsequent to balance date the Group's financier, the Commonwealth Bank of Australia extended the existing banking facilities to 31 March 2017. In addition the Bank allowed the conversion of the exiting bank overdraft into a market rate loan facility. The covenants associated with this facility remain unchanged being an interest cover covenant (of 3 times EBIT) and a current ratio covenant (of 1.25 times). The security over the extended facility remains unchanged.

The EVZ Group has also successfully reached a commercial agreement which will allow the Melbourne Airport Tri-Generation project to be completed. This commercial agreement appropriately compensates EVZ for the estimated costs of completion of this project and realigns the required completion date of the project to the end of December 2016.

Other than the matters noted above, there have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years after this financial year.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 31. CONSTRUCTION CONTRACTS

	<b>Economic Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Aggregate amount of contract revenue recognised during the financial year	60,033,239	52,186,677
Aggregate of contract costs incurred and profits recognised (including losses recognised) to date on contracts in progress	65,183,435	74,356,908
Progress billings	65,641,119	71,717,282
Receipts in advance	-	(280,009)
Amounts due from customers for contract work in progress	<b>(457,684)</b>	<b>2,359,617</b>
Total receivable from customers for contract work in progress as included in Note 4	<b>10,938,712</b>	<b>7,795,685</b>
Retention receivables as included in Note 4	<b>1,482,643</b>	<b>962,253</b>



# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 32 DEED OF CROSS GUARANTEE

During the financial year, a deed of cross guarantee between EVZ Ltd (Parent Entity) and TSF Engineering Pty Ltd, TSF Maintenance Services Pty Ltd, Brockman Engineering Pty Ltd, Danum Engineering Pty Ltd, A.C.N. 124919508 Pty Ltd, Syfon Systems Pty Ltd, NuSource Water Pty Ltd, EVZ Energy Pty Ltd and EVZ Engineering Pty Ltd (Group Entities) existed and relief is obtained from preparing financial statements for those Group Entities under ASIC Class Order 98/1418. Under the deed, EVZ Ltd and the Group Entities jointly guarantee to support the liabilities and obligations of the Group Entities. EVZ Ltd and the Group Entities are the only parties to the Deeds of Cross Guarantee and form the Closed Group. The following are the aggregate totals, for each category, relieved under the deed:

		<b>Closed Group &amp; Parties to Deed of Cross Guarantee</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
Financial information in relation to:			
(i)	<b>Statement of Profit or Loss and Other Comprehensive Income</b>		
	Profit/(Loss) before income tax	(10,710,026)	(7,212,102)
	Income tax (expense)/benefit	-	908,700
	Profit/(Loss) after income tax	(10,710,026)	(6,303,402)
	Profit/(Loss) attributable to members of the parent entity	(10,710,026)	(6,303,402)
(ii)	<b>Retained Earnings</b>		
	Retained losses at the beginning of the year	(28,617,778)	(22,314,376)
	Profit/(Loss) after income tax	(10,710,026)	(6,303,402)
	Retained losses at the end of the year	(39,327,804)	(28,617,778)
(iii)	<b>Statement of Financial Position</b>		
	<b>CURRENT ASSETS</b>		
	Cash and cash equivalents	836,174	1,939,540
	Trade and other receivables	12,324,091	14,037,368
	Inventories	1,050,092	1,553,249
	Financial assets	23,449	-
	<b>TOTAL CURRENT ASSETS</b>	<b>14,233,806</b>	<b>17,530,157</b>
	<b>NON-CURRENT ASSETS</b>		
	Property, plant and equipment	4,728,814	4,344,691
	Deferred tax asset	4,313,415	4,313,415
	Other receivables	2,113,776	1,140,837
	Financial assets	-	23,449
	Intangible assets	12,242,295	16,246,094
	<b>TOTAL NON-CURRENT ASSETS</b>	<b>23,398,300</b>	<b>26,068,486</b>
	<b>TOTAL ASSETS</b>	<b>37,632,106</b>	<b>43,598,643</b>
	<b>CURRENT LIABILITIES</b>		
	Trade and other payables	17,148,002	15,039,710
	Short-term borrowings	13,404,434	3,646,538
	<b>TOTAL CURRENT LIABILITIES</b>	<b>30,552,436</b>	<b>18,686,248</b>

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 32 DEED OF CROSS GUARANTEE (Continued)

	Closed Group & Parties to Deed of Cross Guarantee	
	2015	2014
	\$	\$
NON-CURRENT LIABILITIES		
Long-term borrowings	174,864	7,414,419
Long-term provisions and other payables	143,701	60,595
TOTAL NON-CURRENT LIABILITIES	318,565	7,475,014
TOTAL LIABILITIES	30,871,001	26,161,262
NET ASSETS	6,761,105	17,437,381
EQUITY		
Issued capital	46,088,909	46,055,159
Retained losses	(39,327,804)	(28,617,778)
	6,761,105	17,437,381

### 33. NEW AND AMENDED ACCOUNTING STANDARDS

The company adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. At the date of authorisation of these financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The company is still assessing the impact on reported results on adoption of these pronouncements. Adoption of these pronouncements may result in changes to information currently disclosed in these financial statements. The company does not intend to adopt any of these pronouncements before the effective dates.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 "Financial Instruments"	1 January 2018	30 June 2019
The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.		
AASB 15 "Revenue from Contracts with Customers"	1 January 2017	30 June 2018
The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.		
AASB 2014-4 "Amendments to Australian Accounting Standards – Clarification of Acceptable methods of Depreciation and Amortisation"	1 January 2016	30 June 2017
AASB 2015-1 "Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle"	1 January 2016	30 June 2017
AASB 2015-2 "Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101"	1 January 2016	30 June 2017
AASB 2015-3 "Amendments to Australian Accounting Standards arising from the withdrawal of AASB 1031 Materiality"	1 July 2015	30 June 2016

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 34. PARENT ENTITY DISCLOSURES

Information relating to the Parent Entity, EVZ Limited, is as follows:

	<b>Parent Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>(i) Financial Position</b>		
<b>Assets</b>		
Current assets	171,865	101,770
Non-current assets	17,407,840	19,315,799
<b>Total assets</b>	<b>17,579,705</b>	<b>19,417,569</b>
<b>Liabilities</b>		
Current liabilities	8,964,621	2,375,292
Non-current liabilities	-	7,250,000
<b>Total liabilities</b>	<b>8,964,621</b>	<b>9,625,292</b>
<b>Equity</b>		
Issued capital	46,088,909	46,055,159
Accumulated losses	(37,473,825)	(36,262,882)
<b>Total equity</b>	<b>8,615,084</b>	<b>9,792,277</b>
<b>(ii) Financial Performance</b>		
<b>Comprehensive income</b>		
Profit/(Loss) for the year	(1,210,943)	(4,188,476)
Transfer from capital profits reserve	-	-
<b>Total comprehensive income/(loss)</b>	<b>(1,210,943)</b>	<b>(4,188,476)</b>

### (iii) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

A deed of cross guarantee between EVZ Ltd (Parent Entity) and TSF Engineering Pty Ltd, TSF Maintenance Services Pty Ltd, Brockman Engineering Pty Ltd, Danum Engineering Pty Ltd, A.C.N. 124919508 Pty Ltd (formerly National Engineering Pty Ltd), Syfon Systems Pty Ltd, NuSource Water Pty Ltd, EVZ Energy Pty Ltd (previously Cellular Beams Pty Ltd) and EVZ Engineering Pty Ltd (Group Entities) is enacted and relief was obtained from preparing financial statements for those Group Entities under ASIC Class Order 98/1418. Under the deed, EVZ Ltd and the Group Entities jointly guarantee to support the liabilities and obligations of the Group Entities. EVZ Ltd and the Group Entities are the only parties to the Deeds of Cross Guarantee and form the Closed Group.

There are no contingent liabilities of the Parent Entity or commitments for the acquisition of property, plant and equipment by the Parent Entity.

# EVZ LIMITED

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2015

### 35. COMPANY DETAILS

The registered office and principal place of business of  
**EVZ Limited** is

22 Hargreaves Street, Huntingdale, 3166

Principal place of business of:

**Syfon Systems Pty Ltd** is

22 Hargreaves St, Huntingdale, 3166

**Brockman Engineering Pty Ltd** is

340 Forest Rd, Corio, 3214

**TSF Engineering Pty Ltd** is

Unit A, 31-33 Sirius Road, Lane Cove, 2066

**TSF Maintenance Services Pty Ltd** is

Unit A, 31-33 Sirius Road, Lane Cove, 2066

# EVZ LIMITED

## DIRECTORS' DECLARATION

The Directors of EVZ Limited declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) the financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- (c) in the Directors' opinion, the financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 32 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

SIGNED in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the Corporations Act 2001.



.....  
Director – M Findlay

Signed at Melbourne this 14<sup>th</sup> day of April 2016.

# Independent Auditor's Report to the Members of EVZ Limited

## Report on the financial report

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

## Directors' responsibility for the financial report

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

## 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 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## Independence

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

## Auditor's opinion

In our opinion:

- a) the financial report of the company is in accordance with the *Corporations Act 2001*, including:
  - I. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
  - II. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- 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 10 to 13 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s300A 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.

## Auditor's opinion

In our opinion the remuneration report of EVZ Limited for the year ended 30 June 2015 complies with s300A of the *Corporations Act 2001*.

## Emphasis of Matter

Without modification to our conclusion, we draw attention to Note 1 in the financial report, which indicates that subsequent to 30 June 2015, the Commonwealth Bank of Australia (the "Bank") extended the Company and its controlled entities' (collectively the "Group") existing banking facilities to 31 March 2017 to allow sufficient time for EVZ Limited to pursue a structured debt reduction.

The Group is currently determining the optimum strategy for its structured debt reduction which may include a change in capital structure and/or the orderly divestment of some of the Group's operations and assets.

The Group's ability to continue as a going concern is dependent on the Commonwealth Bank continuing to support the Group as it determines and executes its structured debt reduction program and the Group's ability to continue to meet its profit forecasts. At this stage there is nothing to suggest that the Company would not be able to roll its existing banking facilities past 31 March 2017 or that it won't meet its profit forecasts. Should existing banking facilities not be extended or if the Group does not meet its profit forecasts, the Group may not be able to realise its assets and settle its liabilities in the ordinary course of business.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*Crowe Horwath Melbourne*

**CROWE HORWATH MELBOURNE**

*David Munday*

**DAVID MUNDAY**  
Partner

**Melbourne, Victoria**  
**14 April 2016**



# EVZ LIMITED

## ADDITIONAL SHAREHOLDER INFORMATION AS AT 31 AUGUST 2015

### 1. Substantial Shareholders

UBS Nominees Pty Ltd  
Airlie Beach Holdings Pty Ltd

17,620,429 Ordinary Shares  
10,543,985 Ordinary Shares

### 2. Distribution of Shareholding Range of Holding

1	-	1,000
1,001	-	5,000
5,001	-	10,000
10,001	-	100,000
100,001	and over	

#### No. of Shareholders Ordinary Shares

287  
757  
249  
536  
192

**2,021**

Number of shareholders with less than a marketable parcel of \$500 at \$0.01/unit

1,689

### 3. Names of the 20 Largest Shareholders

	Shares held	% Holding
1. UBS Nominees Pty Ltd	17,620,429	8.37
2. Stuart Andrew Pty Ltd (Campaspe Family A/c)	8,700,000	4.13
3. Powis Superannuation Pty Ltd (Powis Super Fund A/c)	8,571,949	4.07
4. Myall Resources Pty Ltd (Myall Group Super Fund A/c)	7,650,000	3.63
5. Smithley Super Pty Ltd (Smith Super Fund A/c)	7,000,000	3.32
6. Linwierik Super Pty Ltd (Linton Super Fund A/c)	5,855,181	2.78
7. Airlie Beach Holdings Pty Limited (ABI Super Fund A/c)	5,543,985	2.63
8. Airlie Beach Holdings Pty Limited (Burns Family A/c)	5,000,000	2.37
9. Mr Keith Andrew Fagg & Mrs Heather Elizabeth Fagg (KA & HE Fagg S/Fund A/c)	4,828,001	2.29
CJ Arms Superannuation Fund Pty Ltd (CJ Arms Super Fund A/c)	4,570,178	2.17
10. Mr Adam Bernard Bellgrove (Ingodwi Family A/c)	4,400,000	2.09
11. Onmell Pty Ltd (ONM PBSF A/c)	3,612,581	1.72
12. Rangeworthy Pty Ltd (The Edgley Family A/c)	3,466,232	1.65
13. BT Portfolio Services Limited (Juchima Super Fund A/c)	3,285,654	1.56
14. STF Enterprises Pty Ltd	3,109,375	1.48
15. Suntaneous Pty Ltd (GB Clients Emp S/F A/c)	3,008,197	1.43
16. TRB Management Pty Ltd (Bowden Super Fund A/c)	3,000,000	1.42
17. DIP Holdings Pty Ltd	2,600,000	1.23
18. NLA Investments Pty Ltd (N & L Allen Family A/c)	2,576,853	1.22
19. Mr Peter Howells	2,300,000	1.09
20.		
	<b>106,698,615</b>	<b>50.68</b>

### 4. Voting Rights

A registered holder of shares in the Company may attend general meetings of the Company in person or by proxy and on a poll may exercise one vote for each share held. There are no voting rights attached to options for ordinary shares until the options have been exercised.

### 5. Unlisted Options

There are no unlisted options on issue.

# **EVZ LIMITED**

## **ADDITIONAL SHAREHOLDER INFORMATION AS AT 31 AUGUST 2015 (Continued)**

### **6. General**

The name of the Company Secretary is Ian Wallace.

The address of the principal registered office is:  
22 Hargreaves Street, Huntingdale, Victoria, 3166  
Telephone Number: (03) 9545 5288  
Facsimile Number: (03) 9542 6061  
Email: ian.wallace@evz.com.au

A register of securities is kept at:  
Computershare Investor Services Pty Ltd  
452 Johnston Street  
Abbotsford, Victoria, 3067.  
Telephone Number: 1300 137 328

### **7. Stock Exchange Listing**

The Company's ordinary securities are listed on the Australian Securities Exchange Limited.