Titan Energy Services Limited
and Controlled Entities
ACN 150 110 017

ASX Preliminary Final Report
For the year ended 30 June 2013

This financial report is lodged with the Australian Securities Exchange (ASX) under Listing Rule 4.3A.

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(Previous corresponding reporting period: Period ended 30 June 2012)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key information	2013	2012	Change	Change
	$'000	$'000	$'000	%
Revenue from ordinary activities	72,904	33,500	39,404	118
Profit after tax from ordinary activities attributable to members	9,103	2,270	6,833	301
Profit attributable to members	9,103	2,270	6,833	301

DIVIDENDS PAID AND DECLARED

	Amount per security	Franked amount per security
Ordinary shares:		
2012 final – paid 19 October 2012	2.0c	2.0c
2013 interim – paid 4 March 2013	2.0c	2.0c
2013 final – declared 5 August 2013	3.5c	3.5c

Record date for determining entitlements to the final dividend:

Ordinary shares 16 August 2013

Explanation of key information and dividends

Refer to the accompanying Directors' Report.

DIVIDEND REINVESTMENT PLAN

Titan Energy Services Limited announced the formation of a Dividend Reinvestment Plan (DRP) as of 21 August 2012. The plan is open to all shareholders based in Australia and New Zealand. Shareholders from other countries can participate in the DRP, subject to board approval.

Shareholders will have until 16 August 2013 to nominate participation in the DRP.

COMMENTARY ON THE RESULTS FOR THE YEAR

The commentary on the results for the year is contained in the Review of Operations included within the Directors' Report.

STATUS OF AUDIT

The FY13 financial report and accompanying notes for Titan Energy Services Limited have been audited and are not subject to any disputes or qualifications.

Appendix 4E – Preliminary Final Report for the year ended 30 June 2013
(Previous corresponding reporting period: Period ended 30 June 2012)

NET TANGIBLE ASSETS PER SECURITY

	30 June 2013	30 June 2012
Net tangible assets per share	$0.66	$0.69

DETAILS OF CONTROL GAINED OR LOST OVER ENTITIES DURING THE YEAR

Acquisition of Hofco Oil Field Services Pty Ltd

On 15 March 2013, Titan Energy Services Limited acquired Hofco Oil Field Services Pty Ltd for $30,486,310 ($20,924,866 on a cash free debt free basis). Hofco is a leading provider of specialist downhole rental equipment to the Queensland CSG and wider oil and gas industry throughout Australia. The acquisition was funded by a combination of a rights issue and share placement totalling $18,000,000 and operating cashflow. The acquisition was effective from 1 January 2013.

For the period under control (1 January to 30 June 2013), Hofco reported revenue of $3,742,400 and a net profit after tax of $2,183,030.

Your directors present their report, together with the financial statements of the Group, being Titan Energy Services Limited ('Titan', the 'Company') and its controlled entities, for the financial year ended 30 June 2013.

Directors

The following persons were directors of Titan Energy Services Limited during the whole of the year and up to the date of this report, unless otherwise stated:

Shaun Scott (Chairman)

Stephen Bizzell

Simon Keyser

Mark Snape (appointed 18 October 2012)

James Sturgess

Jim Diakogiannis

Wayne Seabrook (resigned 18 October 2012)

Principal Activities

The principal activities of the Group during the financial year were the provision of drilling, accommodation, catering and rental services predominately to the coal seam gas and associated industries.

The following significant changes in the nature of the principal activities occurred during the financial year:

- The Group acquired Hofco Oil Field Services Pty Ltd (Hofco) on 15 March 2013. Hofco is a leading provider of specialist downhole rental equipment to the Queensland CSG and wider oil and gas industry throughout Australia. Hofco was acquired for an amount of $30,486,310 including cash of $9,561,444 in cash equating to an acquisition cost of $20,924,866 on a cash and debt free basis.

There were no other significant changes in the nature of the Group's principal activities during the financial year.

Operating Results and Review of Operations for the Year

	Drill Rigs	Camps	Catering[1]	Equipment Hire	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2013					
Revenue					
Revenue from external customers	35,361	33,642	4	3,432	72,439
Inter-segment revenue	50	298	8,551	191	9,090
Total segment revenue	**35,411**	**33,940**	**8,555**	**3,623**	**81,529**
Segment result – EBIT	**4,168**	**9,016**	**1,927**	**2,781**	**17,892**
Unallocated:					
Interest revenue					265
Net gain on disposal of property, plant and equipment					200
Interest expense and borrowing costs					(1,448)
Depreciation					(14)
Corporate expenses					(3,569)
Net profit before tax from continuing operations					**13,326**
Tax expense					(4,223)
Net profit after tax from continuing operations					**9,103**

(1) Nektar Remote Hospitality provided services to third parties through Resources Camp Hire (RCH) and Atlas Drilling (Atlas). As RCH and Atlas hold the third party contracts, catering revenue is included in these segments.

Review of Operations

The 2013 fiscal year is Titan's first full year as a public company, following its listing on the Australian Securities Exchange in December 2011.

As outlined in the annual report 12 months ago, the Group reported strong financial results for FY12 and unveiled a series of strategies that had been put in place to create future value for shareholders. These strategies delivered solid returns and the Group has built on its successes of FY12 by again recording strong earnings and business growth in the current year.

Market guidance has been upgraded three times during the course of the year, with EBIT reaching $14.5 million, a 272% increase on FY12.

Other highlights during FY13 included:

- Ongoing growth within our existing operating units;
- The acquisition of a new business, Hofco Oil Field Services (Hofco). This acquisition was funded by a combination of an equity raising of $18 million and operating cashflow;
- Payment of our inaugural dividend (2 cents per share fully franked) in October 2012, an interim dividend in March 2013 (2 cents per share fully franked) and the launch of a Dividend Reinvestment Plan; and
- Development of a strong financial base, which means the Company is ready to take advantage of future opportunities.

The Group's debt was refinanced during the first half. Equity raising included an $11 million placement to institutional and professional investors and a $7 million one-for–four non-renounceable pro-rata entitlement offer. This meant Titan was not required to leverage extensively to purchase Hofco.

At year-end, Titan had $12.4 million of net debt (including the Hofco deferred payment of $5.8 million) and gearing of 19% (gearing was 24% at 30 June 2012 and 27% at 31 December 2012).

Credit for the notable achievements outlined above must, of course, go to our people.

Managing Director Jim Sturgess heads Titan and is part of a highly experienced board and senior management team. This experience in the Oil and Gas and Coal Seam Gas (CSG) sectors continues to prove invaluable as our Company grows, evolves and diversifies.

Titan is a relatively young company but has been able to quickly diversify and become a dynamic energy and infrastructure services business.

With the addition of Hofco in March 2013, the Company now has four businesses – Atlas Drilling (Atlas), Resources Camp Hire (RCH), Nektar Remote Hospitality (Nektar) and Hofco.

Atlas was established in 2007 and has become a highly regarded player in the CSG drilling industry. The business is performing solidly, both in terms of quality of contract and profitability.

The RCH portable accommodation business was acquired prior to our IPO and has also developed a track record of growth. RCH now operates 674 rooms, up from 110 rooms at acquisition.

In line with our diversification strategy, Nektar was established in May 2012 to deliver high quality catering and camp management services to remote accommodation service providers. Nektar has developed a strong reputation and catered well in excess of 60,000 man days during FY13.

The latest acquisition, Hofco, has become a market leader in CSG drilling rental equipment during its 30 plus years of operation. Titan sees solid future growth opportunities for this business, along with significant synergies following its integration into the Group.

Looking forward, Titan has identified further opportunities to grow and diversify, both organically and through new acquisitions.

With its existing brand presence and footprint, the Company has developed a good platform for future growth and is well placed to capitalise on the rapid expansion that is expected to take place within the CSG-LNG industry over the next 20 plus years.

Safety

The Group continues to place people's safety first and is focussed on enhancing its performance in this area.

Safety reporting across the Group is consistent and transparent and seeks to reinforce the philosophy of continuous improvement in safety outcomes.

The Group achieved an overall Total Recordable Injury Frequency Rate (TRIFR) result of 16.9 during FY13. While this result is a modest improvement over last year (17.9), the Group is committed to providing a safe environment for all staff and contractors and has taken steps to increase safety resources and awareness.

Atlas Drilling (Atlas)

With the addition of a fourth rig during FY13, Atlas owns three production rigs and operates a fourth under a Lease Agreement with an external party. Three of the rigs are currently operating on contracts with Australian Pacific LNG (APLNG). Rig 1, currently under contract with QGC, will complete the QGC work program in late August. Market demand for drilling rigs remains buoyant and there are a number of potential opportunities to recontract Rig 1.

The business recorded strong utilisation and delivered a record profit during the year, in addition to enhancing its offering by upgrading Rig 2 and the addition of Rig 4. Full year utilisation increased to 91% from 82% in the prior year.

Two new contracts were entered into with APLNG during the year. Rig 2 completed an extended drilling program with Arrow Energy in February 2013 before moving to APLNG on a 6+6 month contract. Rig 4 was specifically commissioned for APLNG as a surface casing rig which is expected to drill 300 wells over its life. Rig 4 has been contracted for one year with a further option of one year. Total capital spent on Rig 4 was $4.0 million which was funded by a combination of debt and cashflow.

Atlas has now been operating in the CSG-LNG industry for six years and has developed strong relationships with a stable of blue-chip clients.

Strategies to drive future growth include:

- Enhancing relationships with key clients;
- Appointing a full-time sales resource focusing on Atlas;
- Exploring opportunities to dry hire; and
- Exploring opportunities in work over rigs.

During FY13, Troy Schefe was appointed Atlas General Manager, after Atlas co-founder Jim Diakos took on a key business development role within parent company Titan. Troy has extensive experience in the oil and gas industry in both Australia and overseas.

At the end of June, Atlas employed 135 staff.

Resources Camp Hire (RCH)

RCH is a full service portable accommodation specialist mainly servicing CSG projects. The business delivered a record profit, thanks to high utilisation and continued strong margins.

Since acquisition in September 2011, room numbers have increased from 110 at acquisition to 674 at year-end, with additional camps on order to service future accommodation contracts. Contracts currently range from three to eighteen months, with a usual term of six months.

During the year, RCH has been successful in providing a number of larger camps. Leighton Contracting required a 120 room camp for a period of six months and APLNG contracted a 153 room ensuite camp for a nine month term. Both camps were located in the Surat area.

Darren Bishell continues as RCH's General Manager. The business has strengthened its team during the year with additional resources in the operations and sales areas and is now well set up with a structure to drive replicable future growth.

At the end of June, RCH employed 24 staff.

Resources Camp Hire (continued)

Strategies to drive future growth include:

- Capitalising on growth in the Queensland CSG sector in the short-term;
- Exploring opportunities in other markets and industries, e.g. non-Queensland CSG, non-CSG sectors, new geographic markets;
- Exploring preferred supplier status with major CSG clients and expanding current relationships with key clients. The business now has preferred supplier status with APLNG and QGC; and
- Expanding room supply and BDM capacity.

Nektar Remote Hospitality (Nektar)

Nektar was a start-up business launched in May 2012 to deliver catering and camp management services to remote sites. Nektar was a logical organic growth opportunity for the Group and its success highlights Titan management's ability to diversify into associated areas of business.

The business is currently servicing six major contracts and has catered 62,694 man days through to the end of June 2013. Nektar margins are in line with expectations.

Strategies to drive future growth include:

- Expanding into new geographies and industry segments;
- Targeting temporary and permanent catering and camp management opportunities both alongside RCH and as a standalone offering; and
- Employing a dedicated BDM resource for Nektar.

Lee Buckingham joined the Group as General Manager in April 2012 to establish and develop the Nektar business. Lee has more than 25 years of product development, catering and new business development experience. At the end of June, Nektar employed 80 staff covering chefs, camp attendants and support staff.

Hofco Oil Field Services (Hofco)

Hofco was established in 1980 and has grown into a leading supplier of specialist downhole equipment. Titan completed the acquisition of Hofco on 15 March 2013. Integration with the Titan Group is progressing smoothly and Hofco is performing in-line with expectations.

Hofco provides specialised equipment that can be hired at daily rates for durations of one week to one year. Customers are responsible for replacing lost equipment and refurbishment costs, giving the business low maintenance and servicing overheads.

While utilisation rates are lower than those experienced in other parts of the Titan Group, margins are generally higher.

Hofco is managed by Kerstine Plummer who has been in the business for 10 years. To ensure continuity of operations following the acquisition, Kerstine and other personnel have transitioned across to the Titan Group. Key management are incentivised to stay with the business for a minimum of two years.

At the end of June, Hofco employed 4 staff.

Strategies to drive future growth include:

- Expansion of Hofco's down-hole tool rental range;
- Investment in additional staff including a dedicated Business Development Manager to generate and support growth;
- Geographic expansion; and
- Leveraging existing Titan Group clients.

Financial Position

In addition to generating a strong profit for the financial year, the Group is well placed to fund future expansion.

In November 2012, the Group refinanced its debt facilities with GE Commercial Corporation (GE), doubling funding capacity with an extended tenure. A combination of asset and working capital credit lines totalling $24.75 million provided the Group with adequate funding headroom for the medium future. At 30 June 2013, the Group has $2.5 million available for capital expenditure and $8.0 million in working capital headroom.

The Group is generating strong cashflows from operations and this is expected to continue through FY14. At 30 June 2013, the Group had $6.6 million in cash resulting in net debt of $12.4 million including the deferred payment for Hofco of $5.8 million.

Total capex for the year totalled $9.7 million with expenditure heavily weighted towards business expansion including $4.0 million for Rig 4 in Atlas. Additional capital was also invested into Hofco to expand the rental fleet and take advantage of growth opportunities.

The Hofco acquisition undertaken during February and March was funded by a successful $18.0 million equity raising and cashflows. The acquisition price was $20.9 million on a cash and debt free basis and the Group has generated sufficient surplus cash at 30 June 2013 to cover the deferred payment of $5.8 million for Hofco.

The Group financial position at 30 June 2013 is strong. The operating businesses are well placed to take advantage of the continuing strong demand in the CSG industry. Current contracts will support high utilisation rates and strong operating cashflow.

Future Developments, Prospects and Business Strategies

Future Prospects

The Titan Group is focused on growing shareholder value. To date, this has been achieved by maximising existing business operations, expanding capacity and targeting acquisitions that fit within our core strategy of creating a diversified group that is the leading supplier of equipment and services to the CSG and wider oil and gas industry. Titan will continue to supply its target markets with:

- Innovative, fit-for-purpose products and services that deliver reliable results;
- Safe, efficient work environments for our staff, contractors and customers; and
- Highly competent teams and processes to deliver solutions to our customers' challenges.

Titan will continue to grow market prominence and share by focusing on:

- Providing our customers with premium rental tools, rigs and camp solutions;
- Building and upgrading the rental fleet in our separate businesses in line with market requirements;
- Providing trained crews for our rigs and expert advice across all our businesses;
- Providing other services that complement the existing offering; and
- Safety outcomes and safe work environments.

The existing businesses will continue to expand in response to demand from existing and new markets. Organic expansion opportunities include:

- New geographic regions including the Northern Territory and the Cooper Basin in South Australia;
- Catering services to permanent camps;
- Expanded rental fleet in Hofco; and
- Additional drilling rigs underwritten by new contracts.

As evidenced by the Hofco acquisition, Titan will continue to make strategic acquisitions that will complement the existing businesses and management experience. Potential targets will be operating in Titan's core market of conventional and non-conventional oil and gas industries.

In addition to acquisitions, Titan will continue to evaluate new business opportunities that will organically expand the Group's capabilities into new but related service and product offerings. The Nektar business is a recent example of expanding the service offering previously outsourced by RCH and Atlas. The business envisages other similar opportunities will become applicable in the future.

Future Developments, Prospects and Business Strategies (continued)

As the Group continues to grow, Titan will be able to significantly enhance our operating and financial performance potential by how well we plan, execute and manage. The management team is closely aligned by way of short term and long term incentives focusing on achievable outcomes. In addition, the board and management team has a broad range of experience covering the operational and corporate requirements of the Titan Group. Strong financial controls and disciplines are in place to ensure we adhere to important fiscal principles and provide attentive stewardship of capital. These principles are intended to lead to consistency in operational performance, stronger than peer financial performance and value to our shareholders.

Material Business Risks

The material business risks faced by the Group that could potentially affect the financial prospects of the Group noted above and how the Group manages these risks include:

1. Industry Risks

   - Customer demand and outlook for oil and gas industry in Australia

     Titan's business depends on the level of activity in the CSG and oil and gas drilling industries. The levels of activity depend on a number of factors outside the control of the Group including global economic growth, continuing international demand and infrastructure constraints impacting on Titan's customers. Any long term decline in the demand for energy may result in a corresponding decline in the use of Titan's services which will have an impact on the financial performance and/or the financial position of Titan.

     Titan is able to mitigate the impact of this risk through diversification into different industries such as minerals, infrastructure projects and new geographic regions.

   - CSG specific regulatory and environmental risks

     The level of public debate surrounding the environmental impacts of CSG continues to increase the risk of regulatory monitoring and approval. Changes to regulations and approval processes in the CSG industry may lead to decreased demand for the services of the Group, and as a result may have an adverse effect on the financial performance of the Group.

2. Operational Risks

   - Adverse weather conditions

     Titan's services are generally vulnerable to adverse weather conditions due to safety, access and machinery issues. The result may lead to increased operating costs, loss of revenue or equipment. The Group will mitigate these risks through a number of strategies including a diversity of businesses in a range of geographic locations, the company insurance program and inclusion of limiting the financial impact in customer contracts.

   - Accidents

     In the performance of operations, accidents may occur, resulting in injury to the Group's employees and contractors as well as Company-owned or third party property. Further, environmental contamination could also result from an accident. Safety performance is very important to clients and as such, accidents may impact the ability of the Group to complete contracts and obtain new contracts in the future. This may have an adverse impact on the financial performance of the Group.

     In order to mitigate the risks of accidents, the Group has implemented detailed training and occupational workplace and safety regimes and continuously monitors and enhances processes to improve outcomes in this area.

   - Asset Utilisation and Productivity

     Titan's financial performance is reliant on the utilisation and productivity of its key assets. Central to the Group achieving objectives is ensuring that its rigs, accommodation and equipment rental assets achieve forecast utilisation. Any unscheduled downtime or periods where assets are uncontracted may have a material adverse impact on financial performance.

     The Group is investing in systems and resources to minimise the impact of extended periods of asset downtime. These include extra business development roles, asset tracking systems and improved maintenance programs.

Future Developments, Prospects and Business Strategies (continued)

Material Business Risks (continued)

- Contractual Risk

  The Group financial performance is reliant on the revenue produced from the utilisation and productivity of key assets. To ensure this is maximised, where possible the Group engages in fixed term contracts with its customers. To the extent third parties become insolvent or default in their obligations, it may be necessary to enforce the Company's rights under the contract. Most of the contracts entered into by the Group are able to be terminated by the customer with a short period of notice. Termination or failure to enforce contracted terms may impact the financial performance of the Group.

- Financing

  Titan's growth is reliant on having sufficient finance and cashflow to fund asset and working capital requirements. The Group's core financing is currently with GE. The facilities contain a variety of covenants with which Titan and its subsidiaries must comply. Whilst every effort will be made to comply with the covenants, in the event of a breach, GE may be entitled to call for repayment of the facilities. This will have a material adverse effect on the ability of Titan to continue operations.

3. Other Material Risks

- Environment Risk

  The Group operates in areas that are subject to State and Federal laws and regulations regarding environment hazards. These laws and regulations set various standards and provide for penalties for violation of such standards.

  Titan seeks to minimise these risks by providing appropriate training for staff and the correct equipment to minimise the impact of potential issues. In addition, the Group seeks to carry appropriate insurance coverage.

- Legislative Change

  Changes in government regulations and policies may adversely affect the financial performance of the current or proposed operations generally of the Group. Titan is not aware of any current or proposed material changes in relevant regulations or policy.

- Share Market Risk

  The market price of shares can be expected to rise and fall in accordance with general market conditions and factors specifically affecting the Australian resource services sector in particular. There are a number of factors that may affect the share market price that the Company cannot control.

Significant Changes in the State of Affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

1. On 1 November 2012, Titan Energy Services Limited refinanced its debt facilities with GE Commercial Corporation (Australia) Pty Ltd. The facility is a combination of asset ($16.75 million) and working capital ($8.0 million) funding totalling $24.75 million extending to October 2015.
2. On 6 November 2012, the Group, via its subsidiary Atlas Drilling Services Pty Ltd entered into an agreement to supply APLNG with a surface casing rig on a one + one year contract. The new rig (Rig 4) was budgeted to cost $4.0 million to purchase and mobilise and was deployed into the field during June 2013.
3. On 4 February 2013, Titan Energy Services Limited announced the acquisition of Hofco Oil Field Services Pty Ltd and an $18.0 million capital raising. The acquisition of Hofco was for $20.9 million on a cash and debt free basis and would be funded by the equity raising and operating cashflow. The equity raising was split between an $11.0 million placement to institutional and professional investors and a fully underwritten one-for-four non-renounceable pro-rata entitlement offer to raise $7.0 million. The Hofco acquisition was completed on 15 March 2013.

Events after the Reporting Period

The directors have declared a final fully franked ordinary dividend of $1,695,833 (3.5 cents per fully paid share) be paid on 6 September 2013 out of retained profits and a positive net asset balance at 30 June 2013. The dividend is 25% of net profit after tax (NPAT) for the second half, in line with the stated objective contained in the Company's IPO prospectus.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Dividends

Titan paid the following dividends during the financial period:

	2013 $'000
• Final dividend in respect of FY12 of 2 cents per share fully franked on 19 October 2012	572
• Interim dividend in respect of FY13 of 2 cents per share fully franked on 4 March 2013	589

In addition to the above dividends, since the end of the financial year, the Company has declared a final dividend for FY13 of 3.5 cents per share fully franked. The final dividend is expected to be paid on 6 September 2013.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Information on the Directors

Shaun Scott	Age 48. B.Bus, BA, ACA
Role	Independent Non-executive Chairman Appointed 27 October 2011
Experience	Shaun is a Chartered Accountant with over 25 years of experience in upstream and downstream projects, mergers and acquisitions and finance in the energy sector in Australia, Asia, and the United States. Shaun is currently an Non-executive Director of ASX listed Dart Energy Ltd, Buccaneer Energy Ltd, Site Group International Ltd and Chairman of Anaeco Ltd. He was previously a Non-executive Director of ACER Energy Ltd. Shaun previously held the roles of Chief Executive Officer (Australia), Chief Commercial Officer and Chief Financial Officer with Arrow Energy Limited prior to its acquisition by Royal Dutch Shell plc and PetroChina in 2010. Prior to joining Arrow in 2004, Shaun held a variety of senior executive roles in the oil and gas industry.
Special Responsibilities	Audit Committee, Risk and Safety Committee, Remuneration Committee (Chairman)
Interest in Shares and Options (direct and indirect)	Shares – 705,673 Options – 350,719

Stephen Bizzell	Age 45. B.Comm, MAICD
Role	Non-executive Director Appointed 28 March 2011

Information on the Directors (continued)

Experience	Stephen is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He is also a Non-executive Director of Armour Energy Ltd, Dart Energy Ltd, Diversa Ltd, Hot Rock Ltd, Stanmore Coal Ltd and Queensland Treasury Corporation and Chairman of Laneway Resources Ltd and Renaissance Uranium Limited. Stephen was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for $3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. Stephen qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.
Special Responsibilities	Audit Committee, Remuneration Committee
Interest in Shares and Options (direct and indirect)	Shares – 2,139,503 Options – 280,576

Simon Keyser	Age 45. B.Bus, ACA
Role	Non-executive Director Appointed 28 March 2011
Experience	Simon has over 20 years experience in the finance industry including specialising in the resources and energy sectors. He is the co-owner of Ironstone Capital Partners Pty Ltd, a corporate advisory business. Simon is a Director of XLX Pty Ltd, an investment company focussed on the resources and energy sectors. XLX is a major shareholder in Titan Energy Services Limited. Simon is also a Director of Malabar Coal Ltd. Simon has held senior investment banking positions with Wilson HTM and Chase (now JPMorgan Chase) and has advised companies on capital raisings and mergers and acquisitions in Australia and Europe. Simon holds a B.Bus from the Queensland University of Technology, Grad Dip from FINSIA and is a Chartered Accountant.
Special Responsibilities	Audit Committee (Chairman)
Interest in Shares and Options (direct and indirect)	Shares – 580,855 Options – 280,576 Simon Keyser owns 20% of XLX Pty Ltd and therefore will have the relevant interest in shares that XLX Pty Ltd has. XLX Pty Ltd will hold a relevant interest (as defined in the Corporations Act) in 7,782,002 shares, including shares under management and those shares in which Simon Keyser also has an interest.

Mark Snape	Age 62. B.Ec, MBA, ACA, FAICD
Role	Independent Non-executive Director Appointed 18 October 2012

Information on the Directors (continued)

Experience	Mark has considerable experience in the energy sector, large scale infrastructure development, risk management and project financing. He is currently Chief Executive Officer of Rivercity Motorway Group. Prior to joining Rivercity Motorway Group, Mark held various senior management positions including Group General Manager – Infrastructure, Finance and Investment for John Holland, Managing Director in Australia for American Electric Power, Director of Deloitte Corporate Finance, Director of Country Natwest Corporate Finance and Director of BZW Corporate Finance. Mark is a Non-executive Director of Access Capital Advisers Pty Limited and has held non-executive director positions for ASX-listed entities Connecteast Group, Brisconnections Group, and Pacific Hydro Limited.
Special Responsibilities	Risk and Safety Committee (Chairman), Remuneration Committee
Interest in Shares and Options (direct and indirect)	Shares – Nil Options - Nil

Jim Diakogiannis	Age 44. B.Eng, B.Sc
Role	Executive Director Appointed 27 October 2011
Experience	Jim is a co-founder of Atlas Drilling and has 20 years experience in the oil and gas industry in Australia. Jim's specialties are in the area of drilling, completion and production engineering and he has been involved in the CSG sector since 2001. Jim has held various positions in a number of large and small operating companies during his career including Santos, Inland Oil Refiners, Oil Company of Australia, Origin Energy and Blue Energy and has been involved in the drilling service sector since the formation of Atlas Drilling in 2007.
Special Responsibilities	Risk and Safety Committee
Interest in Shares and Options (direct and indirect)	Shares – 769,548 Performance Rights – 158,250

James Sturgess	Age 50. B.Comm, FCA
Role	Managing Director Appointed 28 June 2011
Experience	Jim was previously CEO of the City of Brisbane Investment Corporation – a start up role to establish Brisbane's future fund. Prior to this, Jim was CFO and then Executive General Manager at Flight Centre Limited, a global travel company. Jim is a former director of the Australian Federation of Travel Agents. His interest in recent years has been on start-up and growth companies including acquisitions, integration, culture and leadership. Jim has worked at Starwood Hotels and Resorts in a number of roles including Finance Director and Director of Human Resources. He has also held senior positions at Ernst & Young in Brisbane, Sydney, Melbourne and Vancouver, Canada. Aside from his leadership skills, Jim brings to the company extensive experience in marketing and branding.
Special Responsibilities	Nil
Interest in Shares and Options (direct and indirect)	Shares – 544,485 Performance Rights – 209,000

Company Secretary

The Company Secretary is David Thornton – B-Bus, CPA, MAICD.

David was appointed as Company Secretary of Titan Energy Services Limited on 27 October 2011. He has worked in senior finance roles including most recently as CFO of The Bradnam Group and APN News and Media, Regional Publishing. David is also the CFO of the Group.

Meetings of Directors

During the financial year, 24 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Risk and Safety Committee		Remuneration Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Shaun Scott	17	17	2	2	3	3	2	2
Stephen Bizzell	17	17	2	2			2	2
Simon Keyser	17	17	2	2				
Mark Snape	13	13			3	3	1	1
James Sturgess	17	17						
Jim Diakogiannis	17	15			3	2		
Former Directors								
Wayne Seabrook	4	4						

Indemnifying Officers

During or since the end of the financial year, the Group paid insurance premiums of $17,270 to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Options

At the date of this report, the unissued ordinary shares of Titan Energy Services Limited under option are as follows:

	Grant Date	Options/ Performance Rights	Number under Option	Exercise Price of Options	No. of Shares Issued 2013	Expiry Date
Directors of Titan Energy Services Limited	4 Nov 2011	Options	911,871	$1.11	-	7 December 2015
	7 Nov 2011	Performance Rights	297,500	-	-	30 June 2014
	19 Dec 2012	Performance Rights	69,750	-	-	30 June 2015
Key Management Personnel	7 Nov 2011	Performance Rights	80,000	-	-	30 June 2014
	29 April 2013	Performance Rights	20,500	-	-	30 June 2015

Options (continued)

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to directors and executives as remuneration, refer to the remuneration report on page 20 of the Directors' Report.

During FY13, there were no options exercised.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

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

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Lawler Hacketts Audit and its related practices for non-audit services provided during the year ended 30 June 2013:

	$
Taxation services	11,550
	11,550

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 23 for the year ended 30 June 2013.

ASIC Class Order 98/100 Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The remuneration policy of Titan Energy Services Limited has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short and long-term incentives based on key performance areas affecting the Group's financial results. The Board of Titan Energy Services Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain high-quality KMP to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board.
- All executive KMP receive a base salary (which is based on factors such as experience and market rates of pay), superannuation, fringe benefits, performance rights and performance incentives.
- Performance incentives are generally only paid once predetermined key performance indicators (KPIs) have been met.
- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.
- The remuneration committee reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to reward KMP for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government and do not receive any other retirement benefits.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align KMPs' interests with shareholders' interests. Options and performance rights granted under the arrangement do not carry dividend or voting rights. Each option and performance right is entitled to be converted into one ordinary share once the hurdles have been met and is valued using the Black-Scholes or Monte Carlo methodologies.

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

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Current remuneration for non-executive directors is as follows:

	Fees including superannuation
Chairman	$65,000
Non Executive Director	$40,000

In addition to the base fees, from 1 July 2013, Committee members are entitled to the following fees:

Committee Chairman	$7,500
Committee Non Executive Director Member	$5,000

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance-based Remuneration

KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals before the KPIs are set for the following year.

In determining whether or not a financial KPI has been achieved, Titan Energy Services Limited bases the assessment on audited figures.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPIs, and the second being the issue of options and performance rights to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy has been effective in increasing shareholder wealth over the past year.

The following table shows the gross revenue, profits and dividends for the last 2 years for the listed entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows an increase in profits as well as an increase of dividends paid to shareholders. The improvement in the Company's performance over the last 12 months has been reflected in the Company's share price with an increase year on year. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past 12 months.

		2013	2012
Revenue	$'000	72,904	33,500
Net profit after tax	$'000	9,103	2,270
Share price at year-end	$ per share	1.39	0.68
Dividends declared	Cents per share	5.5	2.0

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement earnings targets, KPIs, and continued employment with the Group.

The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options or performance rights.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment Details of Members of Key Management Personnel (continued)

	Position Held as at 30 June 2013 and any Change during the Year	Proportions of Elements of Remuneration Related to Performance			Proportions of Elements of Remuneration Not Related to Performance	
		Non-salary Cash-based Incentives[2]	Shares/ Units	Options/ Rights	Fixed Salary/ Fees	Total
		%	%	%	%	%
James Sturgess	Managing Director	29%	0%	12%	59%	100%
Jim Diakogiannis	Executive Director	27%	0%	4%	68%	100%
David Thornton	CFO	26%	0%	8%	66%	100%
Gus van der Heide [1]	COO	25%	0%	11%	63%	100%

Note 1: Gus van der Heide held the position of General Manager – Atlas until September 2012.

Note 2: Based on meeting performance targets agreed by the Board. Should targets be exceeded, KMP will be entitled to an additional incentive of up to 50% of base salary. Total KMP incentive is subject to Board review. This additional bonus has not been incorporated into the table above.

The employment terms and conditions of KMP are formalised in contracts of employment. Key terms of the contract are as follows:

KMP	Contract Duration	Notice Period	Termination Payments
James Sturgess	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan to James Sturgess six months James Sturgess to Titan four months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan
Jim Diakogiannis	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan or Jim Diakogiannis to give three months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan
David Thornton	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan or David Thornton to give three months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan
Gus van der Heide	Employment will continue until terminated by notice in accordance with the provisions of the agreement	Titan or Gus van der Heide to give three months	Titan may make a payment in lieu Issue of shares connected to performance rights in accordance with the Performance Rights Plan

REMUNERATION REPORT (AUDITED)(CONTINUED)

Remuneration Details for the Year Ended 30 June 2013

The following table of benefits and payments details, in respect to the 2013 and 2012 financial years, the components of remuneration for each director and member of KMP of the Group:

Table of Benefits and Payments for the Year Ended 30 June 2013

Name	Year	Salary and Fees [1]	Cash Bonus [2]	Post Employment Benefits Super [3]	Share Based Payments Options/ PR's [4]	Total
		$	$	$	$	$
Directors						
Shaun Scott Chairman	2012	34,786	-	3,131	41,830	79,747
	2013	59,633	-	5,367	30,728	95,728
Stephen Bizzell Director	2012	23,333	-	-	33,464	56,797
	2013	40,000	-	-	24,583	64,583
Simon Keyser Director	2012	23,333	-	-	33,464	56,797
	2013	40,000	-	-	24,583	64,583
Mark Snape (appointed 18 October 2012) Director	2012	-	-	-	-	-
	2013	25,876	-	2,329	-	28,205
Wayne Seabrook (resigned 18 October 2012) Director	2012	23,333	-	-	33,464	56,797
	2013	13,333	-	-	24,583	37,916
James Sturgess Managing Director	2012	300,000	70,000	27,000	38,450	435,450
	2013	310,838	237,690	24,994	67,148	640,670
Jim Diakogiannis Executive Director	2012	292,936	72,853	17,065	44,825	427,679
	2013	284,405	101,165	39,378	20,161	445,109
Other KMP						
Gus van der Heide COO [5]	2012	137,615	43,107	12,385	20,811	213,918
	2013	290,000	141,387	43,059	38,735	513,181
David Thornton CFO [5]	2012	159,443	23,428	12,442	1,094	196,407
	2013	203,000	115,275	17,109	38,735	374,119
Total	2012	994,779	209,388	72,023	247,402	1,523,592
	2013	1,267,085	595,517	132,236	269,256	2,264,094

REMUNERATION REPORT (AUDITED)(CONTINUED)

Benefits and Payments for the Year Ended 30 June 2013 (continued)

Note 1: Salary and Director's Fees may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion. Directors and Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pays are reviewed annually to ensure the rate is competitive with the market.

Note 2: A portion of the KMP pay is by way of an at risk bonus. This is subject to satisfactory completion of set predominantly profit-related KPIs and payable at the discretion of the Board. Amounts included in the table relate to performance for that year.

Note 3: Post employment benefits is statutory superannuation and is calculated as 9% of the base pay. Stephen Bizzell and Simon Keyser superannuation components are included in the Director's Fees and are paid on receipt of invoice by Titan Energy Services Limited. There are no other retirement benefits paid by Titan Energy Services Limited.

Note 4: Option and Performance Rights values have been determined using the Black-Scholes and Monte Carlo methods.

Note 5: Gus van der Heide and David Thornton were employed for only part of the 2012 financial year.

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities which are not performance-based as part of their remuneration package.

Share-based Payments

Options

The terms and conditions relating to the options are detailed on page 14 of the Directors' Report. Movements during the year are as follows:

	Balance at Beginning of Year	Issued During the Year	Exercised During the Year	Lapsed During the Year	Other Changes During the Year	Balance at End of Year
Shaun Scott Chairman	350,719	-	-	-	-	350,719
Stephen Bizzell Director	280,576	-	-	-	-	280,576
Simon Keyser Director	280,576	-	-	-	-	280,576
Mark Snape (appointed 18 Oct 2012) Director	-	-	-	-	-	-
Wayne Seabrook (resigned 18 Oct 2012) Director	280,576	-	-	-	(280,576)	-
Total	1,192,447	-	-	-	(280,576)	911,871

REMUNERATION REPORT (AUDITED)(CONTINUED)

Performance rights

The terms and conditions relating to performance rights granted as remuneration during the year to KMP are as follows:

	Balance at Beginning of Year	Issued During the Year	Vested During the Year [3]	Lapsed During the Year	Other Changes During the Year	Balance at End of Year
James Sturgess CEO – Titan [1]	212,500	39,000	(98,000)	-	-	153,500
Jim Diakogiannis Executive Director [1]	212,500	30,750	(52,750)	(42,500)	-	148,000
Gus van der Heide COO [2]	100,000	10,250	(70,250)	-	-	40,000
David Thornton CFO [2]	100,000	10,250	(70,250)	-	-	40,000
Total	625,000	90,250	(291,250)	(42,500)	-	381,500

Note 1: Executive directors have been issued 255,000 performance rights each which are split as follows

a) 127,500 Performance Rights divided into three (3) equal tranches of 42,500 Performance Rights each for the first three years of employment vesting when business unit or Group profit targets are met.

b) 127,500 Performance Rights divided into three (3) equal tranches of 42,500 Performance Rights based on the ten day volume weighted average price (VWAP) exceeding

   a. $1.76
   b. $2.06
   c. $2.35

Note 2: Other KMP have been issued 120,000 performance rights each which are split as follows

a) 60,000 Performance Rights divided into three (3) equal tranches of 20,000 Performance Rights each for the first three years of employment vesting when business unit or group profit targets are met.

b) 60,000 Performance Rights divided into three (3) equal tranches of 20,000 Performance Rights based on the ten day volume weighted average price (VWAP) exceeding

   a. $1.50
   b. $1.75
   c. $2.00

Note 3: Performance Rights will vest as KMP met the required performance hurdles. The Board has determined that these employees met their performance targets during the year. Their rights will be converted to ordinary shares within 30 days of the Audited Financial Statements of the Group being completed. During the year, Performance Rights have vested as a result of Titan Energy Services Limited share price meeting the VWAP requirements at $1.76, $1.50 and $1.75 of the above.

There have not been any alterations to the terms or conditions of any grants since grant date.

Securities Received that are Performance Related

There were no ordinary shares issued in Titan Energy Services Limited as a result of the exercise of remuneration options to any director of Titan Energy Services Limited during the year. Ordinary shares were issued as a result of the conversion of Performance Rights.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

James Sturgess
Director
Dated: 5 August 2013

lawler hacketts chartered accountants

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
TITAN ENERGY SERVICES LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013, there have been:

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

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

LAWLER HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 5 August 2013

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		$'000	$'000
Revenue	2	72,904	33,500
Expenses			
Drilling and consumables		(10,330)	(6,674)
Camp expenses		(10,648)	(3,175)
Catering expenses		(1,883)	-
Hire expenses		(244)	-
Depreciation and amortisation expense		(4,378)	(3,513)
Employee benefits expense		(26,075)	(12,771)
Travel and accommodation		(288)	(224)
Motor vehicle lease and maintenance		(290)	(336)
Finance costs		(1,448)	(654)
Administration and other expenses		(3,994)	(2,890)
Profit (loss) before income tax	3	13,326	3,263
Income tax expense	4	(4,223)	(993)
Profit (loss) for the period		9,103	2,270
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		9,103	2,270
Profit (loss) attributable to members of the parent entity		9,103	2,270
Total comprehensive income attributable to members of the parent entity		9,103	2,270
Earnings per share			
From continuing operations:			
– basic earnings per share (cents)	20	22.24	9.05
– diluted earnings per share (cents)	20	21.97	9.02

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated Group	
		2013	2012
		$'000	$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	6,641	1,419
Trade and other receivables	7	14,568	6,536
Inventories	8	1,936	431
Other assets	9	311	114
TOTAL CURRENT ASSETS		23,456	8,500
NON-CURRENT ASSETS			
Property, plant and equipment	10	39,625	28,514
Deferred tax assets	14	1,492	677
Intangible assets	11	20,412	5,276
TOTAL NON-CURRENT ASSETS		61,529	34,467
TOTAL ASSETS		84,985	42,967
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	15,322	7,419
Borrowings	13	3,635	2,055
Current tax liabilities	14	3,263	826
Provisions	15	502	118
Other current liabilities	16	684	80
TOTAL CURRENT LIABILITIES		23,406	10,498
NON-CURRENT LIABILITIES			
Borrowings	13	9,579	7,387
Provisions	15	199	-
Deferred tax liabilities	14	20	29
TOTAL NON-CURRENT LIABILITIES		9,798	7,416
TOTAL LIABILITIES		33,204	17,914
NET ASSETS		51,781	25,053
EQUITY			
Issued capital	17	40,758	22,571
Reserves	18	849	325
Retained earnings		10,174	2,157
TOTAL EQUITY		51,781	25,053

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Consolidated Group	Note	Ordinary Share Capital	Retained Earnings	Share Based Payments Reserve	Total
		$'000	$'000	$'000	$'000
Balance at 1 July 2011		-	(113)	-	(113)
Comprehensive income					
Profit (loss) for the period		-	2,270	-	2,270
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the full year		-	2,270	-	2,270
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs and tax		22,571	-	-	22,571
Performance rights and options		-	-	325	325
Total transactions with owners and other transfers		22,571	-	325	22,896
Balance at 30 June 2012		22,571	2,157	325	25,053
Balance at 1 July 2012		22,571	2,157	325	25,053
Comprehensive income					
Profit (loss) for the period		-	9,103	-	9,103
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the full year		-	9,103	-	9,103
Transactions with owners, in their capacity as owners, and other transfers					
Contributions of equity, net of transaction costs and tax	17	18,187	-	-	18,187
Dividends paid	19	-	(1,161)	-	(1,161)
Performance rights and options lapsed	18	-	75	(75)	-
Performance rights and options	18	-	-	599	599
Total transactions with owners and other transfers		18,187	(1,086)	524	17,625
Balance at 30 June 2013		40,758	10,174	849	51,781

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2013

	Note	Consolidated Group	
		2013	**2012**
		$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		74,819	33,797
Payments to suppliers and employees (inclusive of GST)		(60,799)	(26,659)
Interest received		265	74
Finance costs		(1,448)	(654)
Income tax refund (payment)		(3,512)	(96)
Net cash (used in)/provided by operating activities	26	9,325	6,462
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from acquisition of subsidiary		-	1,824
Payments for plant, property and equipment		(9,698)	(6,339)
Proceeds from disposal of plant, property and equipment		389	73
Payment for acquisition of subsidiary		(15,113)	(16,499)
Net cash (used in)/provided by investing activities		(24,422)	(20,941)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings		3,772	4,762
Proceeds from issue of shares		18,824	12,500
Capital raising costs paid		(1,116)	(1,380)
Dividends paid		(1,161)	-
Net cash (used in)/provided by financing activities		20,319	15,882
Net increase/(decrease) in cash held		5,222	1,403
Cash and cash equivalents at beginning of period	6	1,419	16
Cash and cash equivalents at end of period	6	6,641	1,419

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of Titan Energy Services Limited (the 'company') and its Controlled Entities (the 'Group').

Titan Energy Services Limited is a public company incorporated and domiciled in Australia. The company was incorporated on 28 March 2011, and listed on the Australian Securities Exchange on 7 December 2011.

The separate financial statements of the parent entity, Titan Energy Services Limited, have not been presented within the financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 5 August 2013 by the directors of the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Titan Energy Services Limited at the end of the reporting period. A controlled entity is any entity over which Titan Energy Services Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 22 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of Consolidation (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. 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 liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs (with the exception of stamp duty) incurred in relation to business combinations are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest; and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

Refer to Note 21 for information on the goodwill policy adopted by the Group for acquisitions.

The acquisition date fair value of the consideration transferred for a business combination shall form the cost of the investment in the separate financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment.

b. Income Tax

The income tax expense for the year comprises current income tax expense (benefit) and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, 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 when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Income Tax (continued)

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.

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) a legally enforceable right of set-off exists; and (b) 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.

Tax consolidation legislation

Titan Energy Services Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 23 September 2011.

The head entity, Titan Energy Services Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Titan Energy Services Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed at Note 4.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised in equity as a contribution to (or distribution from) wholly-owned tax consolidated entities.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

The Group held no property during the year.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in either profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Property, Plant and Equipment (continued)

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group 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 it is probable that 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 recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all camps, motor vehicles and plant and equipment is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciable amount of drill rigs and rental assets are depreciated on a unit of production method, with usage calculated by the actual number of days in use.

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

Class of Fixed Asset	Depreciation Rate
Drill Rigs	10%
Camps	10%
Motor Vehicles	15–30%
Plant and Equipment	10–33.33%

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 statement of comprehensive income in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. 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 consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising 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 the shorter of their estimated useful lives or the lease term.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Leases (continued)

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

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

e. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Financial Instruments (continued)

(ii) *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 subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a “loss event”) having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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 discharged, cancelled or expired. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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.

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

g. 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 currency.

Transactions 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. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

h. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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. 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. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Employee Benefits (continued)

Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payments reserve. The fair value of options is determined using the Black-Scholes pricing model. The fair value of performance rights issued is determined using the Monte Carlo method. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

i. 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

k. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

l. Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Inventories

Inventory includes goods available for sale, and material and spare parts to be used in constructing and maintaining the assets held by the Group, as well as stock held for the provision of catering services. Inventories are valued at the lower of cost and net realisable value.

Net realisable value of items expected to be consumed, for example used in the construction of another asset, is the net value expected to be earned through future use.

n. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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 profit or loss 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 Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

q. Comparative Figures

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

Where the Group has retrospectively applied an accounting policy, made a material retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

r. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest $1,000.

s. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Critical Accounting Estimates and Judgments (continued)

Key estimates

(i) *Impairment – general*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) *Estimated useful lives of property, plant and equipment*

The Group's management determines the useful lives and related depreciation charges for items of property, plant and equipment. Management estimate the useful lives of the Group's assets based on their experience with similar assets in the industry. Management monitor the useful lives of the assets and will adjust the depreciation charge where the estimated useful lives are revised.

(iii) *Performance rights*

The Group determines the amount to be posted to the share based payments reserve based on management's best estimate of employees that will meet their performance objectives for the year. The value of performance rights are determined based on several variables, including the estimated number of employees that will meet their performance targets. The value of performance rights could change materially if the number of employees that meet their performance targets differs significantly from management's estimates.

t. New Accounting Standards for Application in Future Periods

The AASB has issued the following new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).
- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t. New Accounting Standards for Application in Future Periods (continued)

- AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).
- AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 (applicable for annual reporting periods commencing on or after 1 January 2013).

The directors anticipate that the adoption of these standards and other proposed changes to IFRS in future periods will have no material financial impact on the financial statements of the entity.

NOTE 2: REVENUE AND OTHER INCOME

	Consolidated Group	
	2013	**2012**
	$'000	**$'000**
From continuing operations:		
Sales revenue by segment:		
Drill rigs	35,361	24,314
Camps	33,642	9,103
Catering(1)	4	-
Equipment hire	3,432	-
	72,439	33,417
Sundry revenue:		
Interest revenue	265	74
	265	74
Other income:		
Net gain on disposal of property, plant and equipment	200	9
	200	9
Total revenue and other income from continuing operations	72,904	33,500

(1) Nektar Remote Hospitality provided services to third parties through Resources Camp Hire (RCH) and Atlas Drilling (Atlas). As RCH and Atlas hold the third party contracts, catering revenue is included in these segments.

NOTE 3: PROFIT FOR THE YEAR

	Consolidated Group	
	2013	2012
	$'000	$'000
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation	4,378	3,513
Rental expense on operating leases	4,922	730
Finance costs	1,448	654

NOTE 4: INCOME TAX EXPENSE

	Consolidated Group	
	2013	2012
	$'000	$'000
a. The components of tax expense comprise:		
Current tax	4,689	1,211
Deferred tax	(452)	(218)
Under-provision in respect of prior years	(14)	-
	4,223	993
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Profit from ordinary activities before income tax	13,326	3,263
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	3,998	979
Add:		
Tax effect of:		
– other non-allowable items	5	31
– employee share issues expensed during year	24	45
– performance rights expensed during year	210	70
– bonus options expensed during year	-	7
	4,237	1,132
Less:		
Tax effect of:		
– other allowable items	-	(106)
– over provision for income tax in prior year	(14)	
Recoupment of prior year tax losses not previously brought to account	-	(33)
Income tax attributable to entity	4,223	993
The applicable weighted average effective tax rates are as follows:	31.69%	30.00%

NOTE 4: INCOME TAX EXPENSE (CONTINUED)

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Titan Energy Services Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 23 September 2011. Titan Energy Services Limited is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and used tax credits assume from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement, the funding of tax within the Group is based on the stand-alone taxpayer approach. The tax funding agreement requires payment to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments.

NOTE 5: OPERATING SEGMENTS

a) Description of segments

The Group has determined the operating segments based on the internal reports reviewed by the Board of Directors that are used to make strategic decisions.

The following segments have been identified by the Group:

Drill Rigs

Atlas owns three production rigs and operates a fourth rig under a rental agreement with an external party. Contracts are currently in place with QGC and APLNG for the provision of drilling services. The rigs are currently working in the Queensland CSG market and located in and around the Surat Basin area.

The rig packages are self contained and include drilling rigs, drill pipe, tanks, generators, offices and accommodation. Staff work on a roster basis and meals and accommodation are provided whilst on roster.

Atlas currently has 135 staff.

Camps

RCH is a portable camp hire business. The camps are self contained units based on shipping containers, that are designed for frequent transportation and purpose built for remote applications. RCH was initially focused on CSG drilling clients however, since the acquisition by the Group, has extended its customer base to include road, civil and construction industries.

Over the course of the year, RCH has grown its capacity from 236 rooms to 674 rooms at the end of June. Over the same period, camp utilisation averaged 84%. Contracts currently range from three to eighteen months, with a usual term of six months.

Catering

Nektar was a start-up business launched in May 2012 to deliver catering and camp management services to remote sites. The business is currently servicing six major contracts and has catered 62,694 man days through to the end of June 2013. At 30 June 2013, Nektar had 80 staff including chefs, camp attendants and support staff.

Equipment Hire

On 15 March 2013, Titan Energy Services Limited acquired Hofco Oil Field Services Pty Ltd. Hofco is a provider of specialist downhole rental equipment to the Queensland CSG and wider oil and gas industry throughout Australia and currently has customers in Queensland, Northern Territory and South Australia.

NOTE 5: OPERATING SEGMENTS (CONTINUED)

b) Segment information provided to the Board of Directors

(i) Segment performance

	Drill Rigs	Camps	Catering (1)	Equipment Hire	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2013					
Revenue					
Revenue from external customers	35,361	33,642	4	3,432	72,439
Inter-segment revenue	50	298	8,551	191	9,090
Total segment revenue	**35,411**	**33,940**	**8,555**	**3,623**	**81,529**
Segment result - EBIT	**4,168**	**9,016**	**1,927**	**2,781**	**17,892**
Unallocated:					
Interest revenue					265
Net gain on disposal of property, plant and equipment					200
Interest expense and borrowing costs					(1,448)
Depreciation					(14)
Corporate expenses					(3,569)
Net profit before tax from continuing operations					**13,326**

(1) Nektar Remote Hospitality provided services to third parties through Resources Camp Hire (RCH) and Atlas Drilling (Atlas). As RCH and Atlas hold the third party contracts, catering revenue is included in these segments.

	Drill Rigs	Camps	Catering	Equipment Hire	Total
	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2012					
Revenue					
Revenue from external customers	24,314	9,103	-	-	33,417
Inter-segment revenue	141	25	31	-	197
Total segment revenue	**24,455**	**9,128**	**31**	**-**	**33,614**
Segment result - EBIT	**2,813**	**2,827**	**(39)**	**-**	**5,601**
Unallocated:					
Interest revenue					74
Interest expense and borrowing costs					(654)
Depreciation					(3)
Corporate expenses					(1,755)
Net profit before tax from continuing operations					**3,263**

NOTE 5: OPERATING SEGMENTS (CONTINUED)

(ii) Segment assets and liabilities

	Drill Rigs	Camps	Catering	Equipment Hire	Total
	$'000	$'000	$'000	$'000	$'000
Segment assets	26,875	27,043	2,102	9,789	65,809
Unallocated assets					19,176
Closing balance 30 June 2013					84,985
Segment liabilities	14,331	20,283	786	1,005	36,405
Unallocated liabilities					(3,201)
Closing balance 30 June 2013					33,204

(iii) Other segment information

	Drill Rigs	Camps	Catering	Equipment Hire	Total
	$'000	$'000	$'000	$'000	$'000
Acquisitions of property, plant and equipment, intangibles, and other non-current segment assets	5,883	3,112	17	483	9,495
Unallocated assets					203
					9,698
Depreciation and amortisation expense	2,326	1,869	3	166	4,364
Unallocated depreciation					14
					4,378

(iv) Geographical information

The Group operates in one geographical segment, being Australia.

(v) Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies three external customers in the Drill Rigs/Camps segment who account for 65% of external revenue.

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2013	**2012**
	$'000	**$'000**
Cash at bank	6,641	1,418
Cash on hand	-	1
	6,641	1,419

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2013	2012
Cash and cash equivalents	6,641	1,419
	6,641	1,419

Risk exposure

The Group's exposure to interest rate risk is discussed in Note 28. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2013	2012
	$'000	$'000
Trade receivables	12,284	3,288
Provision for doubtful debts	(49)	-
Other receivables	244	1,226
Accrued revenue	2,019	1,921
Deposits paid	70	61
Loan receivable	-	40
	14,568	6,536

Credit risk

The Group currently has significant contracts with APLNG, a joint venture between Origin Energy, Conoco Phillips and Sinopec. The exposure to APLNG JV has been assessed with the residual risk not considered unreasonable as the counter party is considered to be of high credit quality and the terms of business are covered by appropriate contracts.

The following table details the Group's trade receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty 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.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

					Past Due but Not Impaired (Days Overdue)	
	Gross Amount $'000	Past Due and Impaired $'000	Within Initial Trade Terms < 30 $'000	Terms < 45 $'000	31–60 $'000	>61 $'000
2013						
Trade and term receivables	12,284	-	10,294	1,406	325	259
Total	12,284	-	10,294	1,406	325	259
2012						
Trade and term receivables	3,288	-	3,016	-	272	-
Total	3,288	-	3,016	-	272	-

Other classes within trade and other receivables do not contain impaired assets. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

NOTE 8: INVENTORIES

	Consolidated Group	
	2013	2012
	$'000	$'000
Raw materials and stores (i)	1,936	431
	1,936	431

(i) Comparative information has been amended as a result of the reclassification of spares from Property, Plant and Equipment. Refer to Note 10 for further details.

NOTE 9: OTHER ASSETS

	Consolidated Group	
	2013	2012
	$'000	$'000
Prepayments	311	88
Other	-	26
	311	114

NOTE 10: PLANT AND EQUIPMENT

	Consolidated Group	
	2013	2012
	$'000	$'000
DRILL RIGS		
At Cost	21,004	15,426
Accumulated depreciation	(5,817)	(4,039)
	15,187	11,387
CAMPS		
At Cost	20,530	17,558
Accumulated depreciation	(3,794)	(1,856)
	16,736	15,702
MOTOR VEHICLES		
At Cost	2,500	2,180
Accumulated depreciation	(1,459)	(1,075)
	1,041	1,105
PLANT AND EQUIPMENT		
At Cost	7,346	728
Accumulated depreciation	(685)	(408)
	6,661	320
Total plant and equipment	39,625	28,514

NOTE 10: PLANT AND EQUIPMENT (CONTINUED)

a. Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Drill Rigs	Camps	Motor Vehicles	Plant and Equipment	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2011	-	-	-	4	4
Additions	13,187	17,317	1,527	466	32,497
Disposals – written-down value	-	(56)	(64)	-	(120)
Depreciation expense	(1,446)	(1,559)	(359)	(149)	(3,513)
Carrying amount at 30 June 2012	11,741	15,702	1,104	321	28,868
Reclassification of spares (i)	(354)	-	-	-	(354)
Revised carrying amount at 30 June 2012	11,387	15,702	1,104	321	28,514
Acquisition of subsidiary	-	-	96	5,883	5,979
Additions	5,640	2,967	253	838	9,698
Disposals – written-down value	(43)	-	(45)	(100)	(188)
Depreciation expense	(1,797)	(1,933)	(368)	(280)	(4,378)
Carrying amount at 30 June 2013	15,187	16,736	1,040	6,662	39,625

(i) During the year, the Group re-assessed the classification of various items of spare equipment and determined that these items were best classified as inventory. Comparative information has been adjusted above to reflect this reclassification.

NOTE 11: INTANGIBLE ASSETS

	Consolidated Group	
	2013	2012
	$'000	$'000
Goodwill:		
Cost	20,412	5,276
Accumulated impairment losses	-	-
Net carrying amount	20,412	5,276

NOTE 11: INTANGIBLE ASSETS (CONTINUED)

	Note	Consolidated Group	
		2013	2012
		$'000	$'000
Balance at the beginning of the year		5,276	-
Additions		-	-
Acquisitions through business combinations	21	15,136	5,276
Amortisation charge		-	-
Impairment losses		-	-
Closing value at 30 June 2013		20,412	5,276

Impairment disclosures

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments:

	2013 $'000	2012 $'000
Drill Rigs	-	-
Camps	5,276	5,276
Catering	-	-
Hire	15,136	-
Total	20,412	5,276

The recoverable amount of each cash-generating unit above 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 with the period extending beyond one year extrapolated using an estimated growth rate. The cash flows are discounted using the yield of a five year government bond, adjusted for specific risks relating to the relevant segments in which they operate, at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Drill Rigs	N/A	N/A
Camps	2.0-10.0%	18.6%
Catering	N/A	N/A
Hire	3.0-7.0%	18.6%

Management has based the value-in-use calculations on budgets for each reporting segment. Costs are calculated taking into account historical gross margins and management's expectation of anticipated growth, as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated Group	
	2013	**2012**
	$'000	**$'000**
Trade payables	6,061	5,121
Other creditors	3,112	2,009
Deferred consideration	5,812	-
GST payable	337	289
	15,322	7,419

NOTE 13: BORROWINGS

	Consolidated Group	
	2013	**2012**
	$'000	**$'000**
CURRENT		
Bank loan – secured	3,684	-
Asset finance facility secured	-	2,055
Borrowing costs	(49)	-
	3,635	2,055
NON-CURRENT		
Bank loan – secured	9,742	-
Asset finance facility secured	-	7,387
Borrowing costs	(163)	-
	9,579	7,387
TOTAL	13,214	9,442

In November 2012 the Group changed finance facilities from NAB to GE Commercial Corporation (Australia) Pty Ltd (GE).

A Facility Agreement has been entered into between Titan and GE with the following facilities available:

- $11,745,000 Term Loan, fully drawn, extending until October 2017. Balance outstanding $10,278,815.
- $5,000,000 Capex Facility, partially drawn, extending until October 2017. Balance outstanding $2,603,357.
- $8,000,000 Revolving Facility, partially drawn, extending. until October 2017. Balance outstanding $543,909.

Loans provided under this facility are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

NOTE 14: TAX

	Consolidated Group 2013 $'000	Consolidated Group 2012 $'000
CURRENT		
Income tax payable	3,263	826

NON-CURRENT

	Opening Balance $'000	Additions through Business Combinations $'000	Charged to Income $'000	Charged Directly to Equity $'000	Changes in Tax Rate $'000	Exchange Differences $'000	Closing Balance $'000
Consolidated Group							
Deferred tax liability							
Property plant and equipment:							
– tax allowance	-	-	29	-	-	-	29
Balance at 30 June 2012	-	-	29	-	-	-	29
Property plant and equipment:							
– tax allowance	29	-	(9)	-	-	-	20
Balance at 30 June 2013	29	-	20	-	-	-	20
Deferred tax assets							
Provisions	-	-	265	-	-	-	265
Transaction costs on equity issue	-	-	-	368	-	-	368
Other	-	-	44	-	-	-	44
Balance at 30 June 2012	-	-	309	368	-	-	677
Provisions	265	69	607	-	-	-	941
Transaction costs on equity issue	368	-	(151)	303	-	-	520
Other	44	-	(13)	-	-	-	31
Balance at 30 June 2013	677	69	443	303	-	-	1,492

NOTE 15: PROVISIONS

	Consolidated Group	
	2013	2012
	$'000	$'000
Provision for employee entitlements - Current	502	118
Provision for employee entitlements - Non-current	199	-
	701	118

NOTE 16: OTHER CURRENT LIABILITIES

	Consolidated Group	
	2013	2012
	$'000	$'000
Unearned revenue	684	80
	684	80

NOTE 17: ISSUED CAPITAL

	2013	2012	2013	2012
	Shares	Shares	$'000	$'000
a) Issued capital				
Ordinary shares – fully paid	47,512,077	28,456,745	40,758	22,571
	47,512,077	28,456,745	40,758	22,571

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held.

At the 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.

Ordinary shares have no par value, and the company does not have a limited amount of authorised share capital.

NOTE 17: ISSUED CAPITAL (CONTINUED)

b) Movements in ordinary share capital during the year:

Date	Details	Note	#	Issue Price	$'000
1 July 2012	Opening Balance		28,456,745		22,571
23 August 2012	Employee Share Issue	(i)	47,056	$0.68	32
4 September 2012	Performance Rights	(ii)	98,625	$1.00	99
18 October 2012	Dividend Reinvestment Plan	(iii)	393,829	$0.67	264
18 October 2012	Dividend Reinvestment Plan Shortfall	(iv)	459,913	$0.67	308
12 February 2013	Unconditional Placement – Tranche 1	(v)	3,889,525	$1.05	4,084
4 March 2013	Dividend Reinvestment Plan	(vi)	162,691	$1.55	252
6 March 2013	Employee Share Issue	(vii)	48,944	$0.94	46
12 March 2013	Entitlement Offer	(viii)	7,364,274	$0.95	6,996
13 March 2013	Conditional Placement – Tranche 2	(ix)	6,590,475	$1.05	6,920
					41,572
Less: Transaction costs arising on share issue, net of deferred tax					(814)
			47,512,077		40,758

(i) On 23 August 2012 employees with greater than 12 month's service at the date of listing were each granted shares with a fair value of $2,000 under the Employee Share and Option Scheme.

(ii) On 4 September 2012, 98,625 Ordinary Shares were issued in accordance with the company's Performance Rights Plan.

(iii) On 18 October 2012, 393,829 Ordinary Shares were issued under the company's Dividend Reinvestment Plan at a price of $0.67.

(iv) On 18 October 2012, 459,913 Ordinary Shares were issued in partial reduction of the company's Dividend Reinvestment Plan shortfall at a price of $0.67.

(v) On 12 February 2013 3,889,525 Ordinary Shares were issued to fund the acquisition of Hofco Oil Field Services Pty Ltd at $1.05 per share to sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act (Tranche 1).

(vi) On 4 March 2013,162,691 Ordinary Shares were issued under the company's Dividend Reinvestment Plan at a price of $1.55.

(vii) On 6 March 2013, employees with greater than 12 month's service at the date of listing were each granted shares with a fair value of $2,000 under the Employee Share and Option Scheme.

(viii) A fully underwritten pro-rata non-renounceable entitlement offer of one new share for every four shares held at an issue price of $0.95 per new share to raise funds for the acquisition of Hofco Oil Field Services Pty Ltd.

(ix) On 13 March 2012 6,590,475 Ordinary Shares were issued to fund the acquisition of Hofco Oil Field Services Pty Ltd at $1.05 per share to sophisticated, professional and other investors to whom no disclosure is required under the Corporations Act (Tranche 2).

NOTE 17: ISSUED CAPITAL (CONTINUED)

c) Options

For information relating to share options issued to key management personnel, refer to Note 27.

d) Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by its assets.

Management effectively manages the Group's capital by assessing the Group'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.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Titan Energy Services Limited has complied with the financial covenants of its borrowing facilities during the 2013 reporting period.

NOTE 18: RESERVES

	2013	**2012**
	$'000	**$'000**
Share based payments reserve		
Balance at 1 July	325	-
Option expense	104	142
Options lapsed	(69)	-
Performance rights expense	594	183
Performance rights granted	(99)	-
Performance rights lapsed	(6)	-
Balance at 30 June	849	325

The share based payments reserve is used to recognise:

- The grant date fair value of options issued to employees but not exercised.
- The grant date fair value of performance rights attaching to shares not yet issued.

NOTE 19: DIVIDENDS

	2013 $'000	2012 $'000
a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2012 – 2.0 cents per share	572	-
Fully franked interim dividend for the year ended 30 June 2013 - 2.0 cents per share	589	
	1,161	-
Paid in cash	645	-
Satisfied under the Dividend Reinvestment Plan	516	
	1,161	-
b) Dividends not recognised at the end of the reporting period		
Since year end, the directors have declared the payment of a final dividend of 3.5 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate of the declared dividend expected to be paid on 6 September 2013 out of retained earnings at 30 June 2013, but not recognised as a liability at year end is	1,696	569

c) Franked dividends

The franked portion of the final dividend declared after 30 June 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2013.

	Parent entity	
	2013 $'000	2012 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2012 – 30%)	10,811	1,455

The above amount represents the balance of the franking account as at the end of the reporting period adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The financial effect of the dividend referred to at b) above has not been brought to account in the financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

NOTE 20: EARNINGS PER SHARE

	2013	2012
	Cents	Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	22.24	9.05
Total basic earnings per share attributable to the ordinary equity holders of the company	22.24	9.05
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	21.97	9.02
Total diluted earnings per share attributable to the ordinary equity holders of the company	21.97	9.02

(c) Reconciliation of earnings used in calculating earnings per share

	$'000	$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	9,103	2,270
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	9,103	2,270

(d) Weighted average number of shares used as the denominator

	#	#
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	40,923,433	25,093,934
Adjustments for calculation of diluted earnings per share:		
- Options	146,107	-
- Performance rights	366,018	74,916
Weighted average number of ordinary shares and potential ordinary share used as the denominator in calculating diluted earnings per share	41,435,558	25,168,850

NOTE 21: BUSINESS ACQUISITIONS

Acquisition of Hofco Oil Field Services Pty Ltd (Hofco)

On 30 January 2013, Titan Energy Services Limited entered into a Share Sale and Purchase Agreement to acquire 100% of the issued capital of Hofco Oil Field Services Pty Ltd. The acquisition was completed on 15 March 2013 and, under the terms of the contract, is effective from 1 January 2013.

Hofco was established in 1980 and has grown into a leading supplier of specialist downhole equipment. Integration with the Titan Group is progressing smoothly and Hofco is performing in-line with expectations.

Hofco provides specialised equipment that can be hired at daily rates for durations of one week to one year. Customers are responsible for replacing lost equipment and refurbishment costs, giving the business low maintenance and servicing overheads.

a. Summary of Acquisition

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	$'000
Cash paid	24,674
Deferred consideration	5,812
Total purchase consideration	30,486
Less cash acquired	(9,561)
Cost of acquisition, net of cash acquired	20,925

The assets and liabilities recognised as a result of the acquisition are:

	Fair Value $'000
Cash	9,561
Trade and other receivables	1,261
Inventory	905
Plant and equipment	5,979
Deferred tax assets	69
Trade and other payables	(975)
Provisions for employee entitlements	(168)
Tax liabilities	(1,282)
Net identifiable assets acquired	15,350
Goodwill (d)	15,136
Net assets acquired	30,486

The acquired business contributed revenues of $3,960,535 and net profit after tax of $ 2,183,030 to the Group for the period from 1 January 2013 to 30 June 2013. Disclosure of the revenue and profit and loss of the combined entity for the period as though the acquisition date for the business combination had been at the beginning of the period is impracticable to disclose given the entity acquired was previously a privately held entity that was not subject to audit requirements.

b. Purchase Consideration – Cash Outflow

Purchase consideration settled in cash as at 30 June 2013	24,674
Less balance of cash acquired	(9,561)
Outflow of cash – investing activities	15,113

NOTE 21: BUSINESS ACQUISITIONS (CONTINUED)

c. Acquisition Related Costs

Acquisition related costs of $172,727 are included in other expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

d. Goodwill on Acquisition

The goodwill is attributable mainly to the skills of the Hofco workforce and the synergies expected to be achieved from integrating Hofco into the Group. It will not be deductible for tax purposes.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

NOTE 22: RELATED PARTY TRANSACTIONS

a. Parent entity

The parent entity within the Group is Titan Energy Services Limited.

b. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1(a).

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2013	2012
Atlas Drilling Co Pty Ltd	Australia	Ordinary	100%	100%
Titan Plant Logistics Pty Ltd	Australia	Ordinary	100%	100%
Titan Resources Camp Hire Pty Ltd	Australia	Ordinary	100%	100%
Nektar Remote Hospitality Pty Ltd	Australia	Ordinary	100%	100%
Atlas Drilling Services Pty Ltd	Australia	Ordinary	100%	100%
Hofco Oil Field Services Pty Ltd	Australia	Ordinary	100%	-

c. Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The company entered into an agreement with Ironstone Capital Pty Ltd (an entity associated with Simon Keyser, a Director of the company) for the provision of corporate advisory and capital raising services in relation to the acquisition of Hofco Oil Field Services Pty Ltd. The company paid Ironstone Capital Pty Ltd $330,232 during the period.

The company entered into an agreement with Bizzell Capital Partners Pty Ltd (an entity associated with Stephen Bizzell, a Director of the company) for the provision of corporate advisory, underwriting and capital raising services in relation to the acquisition of Hofco Oil Field Services Pty Ltd. The company paid Bizzell Capital Partners Pty Ltd $304,978 during the period.

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the Directors' Report on page 19 for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2013 $	2012 $
Short-term employee benefits	1,863	1,204
Post-employment benefits	132	72
Other long-term benefits	-	-
Share-based payments	269	247
Total KMP compensation	2,264	1,523

KMP Options and Rights Holdings

The number of options and performance rights over ordinary shares held by each KMP of the Group during the financial year is contained in the Directors' Report on pages 20 and 21.

KMP Shareholdings

The number of ordinary shares in Titan Energy Services Limited held by each KMP of the Group during the financial year is as follows:

30 June 2013	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Vesting of Performance Rights during the Year	Other Changes during the Year	Balance at End of Year
Shaun Scott	696,354	-	-	209,319	905,673
Stephen Bizzell	2,417,585	-	-	(51,975)	2,365,610
Simon Keyser	448,609	-	-	132,246	580,855
Wayne Seabrook [1]	424,240	-	-	(424,240)	-
Mark Snape	-	-	-	-	-
James Sturgess	240,000	-	36,125	225,860	501,985
Jim Diakogiannis	1,734,032	-	42,500	(449,484)	1,327,048
David Thornton	17,500	2,128	-	52,878	72,506
Gus van der Heide	-	-	20,000	22,619	42,619
Total	5,978,320	2,128	98,625	(282,777)	5,796,296

1. For Wayne Seabrook, balance at date of resignation, 18 October 2012.

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

30 June 2012	Balance at Beginning of Year	Granted as Remuneration during the Year	Issued on Vesting of Performance Rights during the Year	Other Changes during the Year	Balance at End of Year
Shaun Scott	-	-	-	696,354	696,354
Stephen Bizzell	-	-	-	2,417,585	2,417,585
Simon Keyser	-	-	-	448,609	448,609
Wayne Seabrook	-	-	-	424,240	424,240
James Sturgess	-	-	-	240,000	240,000
Jim Diakogiannis	-	-	-	1,734,032	1,734,032
David Thornton	-	-	-	17,500	17,500
Gus van der Heide	-	-	-	-	-
Total	-	-	-	5,978,320	5,978,320

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 22: Related Party Transactions.

NOTE 24: AUDITOR'S REMUNERATION

	Consolidated Group	
	2013	2012
	$	$
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	96,750	90,000
– due diligence services	-	86,697
– taxation services provided by related practice of auditor	11,550	28,379

NOTE 25: CAPITAL AND LEASING COMMITMENTS

	Consolidated Group	
	2013	2012
	$'000	$'000
a. Finance Lease Commitments		
Payable – minimum lease payments:		
– Within one year	-	2,703
– Later than one year but not later than five years	-	8,395
– Later than five years	-	-
Minimum lease payments	-	11,098
Less future finance charges	-	1,656
Present value of minimum lease payments	-	9,442
b. Operating Lease Commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
– Within one year	8,720	2,567
– Later than one year but not later than five years	14,724	2,377
– Later than five years	-	-
	23,444	4,944

c. Capital Expenditure Commitments

There were no capital expenditure commitments outstanding at 30 June 2013.

NOTE 26: CASH FLOW INFORMATION

		Consolidated Group	
		2013	**2012**
		$'000	**$'000**
a.	**Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
	Profit after income tax	9,103	2,270
	Non-cash flows in profit:		
–	Depreciation	4,378	3,513
–	Net gain on disposal of property, plant and equipment	(200)	(9)
–	Share based payments	777	738
	Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
–	(increase)/decrease in trade and term receivables	(6,167)	(4,358)
–	(increase)/decrease in prepayments	(198)	(29)
-	(increase)/decrease in stock	(602)	(76)
–	increase/(decrease) in trade payables and accruals	1,116	3,467
–	(increase)/decrease in income tax asset	-	266
–	increase/(decrease) in income taxes payable	1,155	826
–	increase/(decrease) in deferred taxes payable	(8)	(23)
–	(increase)/decrease in deferred taxes receivable	(444)	(195)
–	increase/(decrease) in provisions	415	72
	Cash flow from operations	9,325	6,462

b. Acquisition of Entities

Refer to Note 21 for further details on cash and non-cash transactions in relation to the acquisition of subsidiaries during the year.

NOTE 26: CASH FLOW INFORMATION (CONTINUED)

		Consolidated Group	
		2013	2012
		$'000	$'000
c.	**Credit Standby Arrangements with Banks**		
	Credit facility	-	1,000
	Amount utilised	-	-
		-	1,000

d.	**Loan Facilities**		
	Loan facilities	24,745	10,617
	Amount utilised	13,426	9,442
		11,319	1,175

In November 2012 the Group changed finance facilities from NAB to GE Commercial Corporation (Australia) Pty Ltd (GE). A Facility Agreement has been entered into between Titan and GE with the following facilities available:

- $11,745,000 Term Loan, fully drawn, extending until October 2017. Balance outstanding $10,278,815.
- $5,000,000 Capex Facility, partially drawn, extending until October 2017. Balance outstanding $2,603,357.
- $8,000,000 Revolving Facility, partially drawn, extending until October 2017. Balance outstanding $543,909.

Loans provided under this facility are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

NOTE 27: SHARE-BASED PAYMENTS

a) Non-executive Directors

The Non-executive Directors of Titan Energy Services Limited during the financial year are as follows:

Shaun Scott

Stephen Bizzell

Simon Keyser

Mark Snape (Appointed 18 October 2012)

Wayne Seabrook (Resigned 18 October 2012)

Options

During the prior year, the Non-executive Directors were issued with options with the following key conditions attached:

1. The options were issued for nil consideration
2. The commencement date for the exercise of the options is 7 December 2012
3. Unexercised options will expire on the earlier of :
    a. Three years after the commencement date
    b. The business day after the expiration of three months after the option holder ceases to be a director of Titan Energy Services Limited or such other period as determined by the Board of Directors;
    c. The date on which the option holder ceases to be a director of Titan Energy Services Limited due to fraud or dishonesty
4. The exercise price is $1.11. The exercise price for the options was reduced following the rights issue as per the Employee Shares and Option Plan rules.
5. Option holders do not have the right to participate in new issues of securities or dividends.

	Number	Weighted Average Exercise Price
Options outstanding at June 2012	1,192,447	1.11
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Other (1)	(280,576)	-
Options outstanding at June 2013	911,871	1.11

(1) Wayne Seabrook resigned as a director of Titan Energy Services Ltd on 18 October 2012.

Further details of these options are provided in the Directors' Report. The options hold no voting or dividend rights and have not been listed.

Included under employee benefits expense in the statement of comprehensive income is $104,475 which relates to equity-settled share-based payment transactions (2012: $142,221). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Expected share price volatility:	44.9%
Risk-free interest rate:	3.89%
Dividend yield	6.0%

NOTE 27: SHARE-BASED PAYMENTS (CONTINUED)

b) Other KMP

In addition to the non-executive directors, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	**Position**	**Entity**
James Sturgess	Managing Director	Titan Energy Services Limited
Jim Diakogiannis	Executive Director	Titan Energy Services Limited
David Thornton	CFO and Company Secretary	Titan Energy Services Limited
Gus van der Heide	COO	Titan Energy Services Limited

Performance Rights

KMP have been issued with a series of performance rights as part of their employment terms and conditions. The performance rights will vest based on the following:

- 50% based on the attainment of business key performance indicators; and
- 50% based on share price performance

The performance rights attached to the business KPIs are divided into three equal tranches for the first 3 years of employment. The business KPIs are a combination of Titan Group and business unit profit targets.

The performance rights attached to the share price performance for James Sturgess and Jim Diakogiannis will vest over three equal tranches based on the following:

- Ten day volume weighted average price (VWAP) of Titan Energy Services Limited shares is greater than $1.76;
- Ten day VWAP of Titan Energy Services Limited shares is greater than $2.06;
- Ten day VWAP of Titan Energy Services Limited shares is greater than $2.35.

The performance rights attached to the share price performance for David Thornton and Gus van der Heide will vest over three equal tranches based on the following:

- Ten day volume weighted average price (VWAP) of Titan Energy Services shares is greater than $1.50;
- Ten day VWAP of Titan Energy Services Limited shares is greater than $1.75;
- Ten day VWAP of Titan Energy Services Limited shares is greater than $2.00.

During the year KMP were issued with a series of performance rights as part of the Group Long Term Incentive Plan (LTI). The performance rights will vest based on the following:

- The Group achieving a minimum EBIT growth; and
- KMP remaining employed up to the release of FY13 audited results.

LTI are allocated as follows:

Tranche	**Financial Years**
December 2012	FY13, 14, 15
April 2013	FY13, 14, 15

NOTE 27: SHARE-BASED PAYMENTS (CONTINUED)

Performance rights granted to key management personnel are as follows:

Grant Month	Number
November 2011	870,000
December 2012	69,750
April 2013	20,500

Further details of these performance rights are provided in the Directors' Report. The performance rights hold no voting or dividend rights and have not been listed. The performance rights lapse when a member of the KMP ceases their employment with the Group.

Included under employee benefits expense in the statement of comprehensive income is $120,429 which relates to equity-settled share-based payment transactions (2012:$182,955). The values of performance rights attached to share price performance were calculated using the Monte Carlo option pricing model applying the following inputs:

Expected share price volatility:	44.9%
Risk-free interest rate:	3.97%
Dividend yield	6.0%

NOTE 28: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated Group	
		2013 $'000	**2012 $'000**
Financial assets			
Cash and cash equivalents	6	6,641	1,419
Trade and other receivables	7	14,568	6,536
Total financial assets		21,209	7,955
Financial liabilities			
Trade and other payables	12	15,322	7,419
Borrowings	13	13,214	9,442
Total financial liabilities		28,536	16,861

Financial Risk Management Policies

The overall setting and management of the Group's financial risk policies is the responsibility of the Board of Directors and has been delegated to the Audit Committee. The Audit Committee has been delegated responsibility by the Board of Directors for, among other issues, managing financial risk exposures of the Group. The Audit Committee monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to counterparty credit risk, currency risk, liquidity risk and interest rate risk. The Audit Committee meets regularly and minutes of the Audit Committee are reviewed by the Board.

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Risk Management Policies (continued)

The Audit Committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging, derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

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

There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and procedures for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 14 to 45 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Audit Committee has otherwise assessed as being financially sound.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given to parties securing the liabilities of certain subsidiaries (refer to Note 30 for details).

The Group currently has significant contracts with APLNG, a joint venture between Origin Energy, Conoco Phillips and Sinopec. On a geographical basis, the Group has significant credit risk exposures to Australia given the substantial operations in this region. Details with respect to credit risk of trade and other receivables are provided in Note 7.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 7.

Credit risk related to balances with banks and other financial institutions is managed by the Audit Committee in accordance with approved board policy. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	Note	**Consolidated Group**	
		2013	**2012**
		$'000	**$'000**
Cash and cash equivalents:			
– AA- rated		6,641	772
– BBB+ rated		-	647
	6	6,641	1,419

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability maturity analysis

		Within 1 Year		1 to 5 Years		Over 5 Years		Total	
		2013	2012	2013	2012	2013	2012	2013	2012
Consolidated Group	**Note**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial liabilities due for payment									
Bank overdrafts and loans	13	3,635	-	9,579	-	-	-	13,214	-
Trade and other payables	12	15,322	7,419	-	-	-	-	15,322	7,419
Finance lease liabilities		-	2,055	-	7,387	-	-	-	9,442
Total contractual outflows		18,957	9,474	9,579	7,387	-	-	28,536	16,861
Less bank overdrafts									
Total expected outflows		18,957	9,474	9,579	7,387	-	-	28,536	16,861

NOTE 28: FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments which primarily expose the Group to interest rate risk are borrowings, and cash and cash equivalents.

Interest rate risk is managed using fixed rate debt. At 30 June 2013, 100% of Group debt is fixed rate.

d. Sensitivity analysis

The Group's interest rates are 100% fixed, and therefore not subject to changes in market interest rates. Therefore, a sensitivity analysis has not been performed.

NOTE 29: PARENT INFORMATION

	2013	2012
	$'000	$'000

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION

	2013 $'000	2012 $'000
ASSETS		
Current assets	6,093	12,895
Non-current assets	54,796	9,647
TOTAL ASSETS	60,889	22,542
LIABILITIES		
Current liabilities	13,113	991
Non-current liabilities	9,584	-
TOTAL LIABILITIES	22,697	991
EQUITY		
Issued capital	40,758	22,571
Accumulated losses	(3,415)	(1,345)
Option reserve	849	325
TOTAL EQUITY	38,192	21,551

STATEMENT OF COMPREHENSIVE INCOME

	2013 $'000	2012 $'000
Total profit (loss)	(984)	(1,232)
Total comprehensive income	(984)	(1,232)

Guarantees

Titan Energy Services Limited has entered into guarantees in the current financial year in relation to the debts of its subsidiaries. Refer Note 30 for further details.

Contingent liabilities

At 30 June 2013, Titan Energy Services Limited did not have any contingent liabilities. Refer above for information on guarantees given by the parent entity.

Contractual commitments

At 30 June 2013, Titan Energy Services Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: nil).

NOTE 30: CONTINGENT LIABILITIES

The Group had contingent liabilities at 30 June 2013 in respect of:

Guarantees

GE Commercial Corporation (Australia) Pty Ltd - Loans provided under this facility are secured by a fully perfected first priority fixed and floating charge over all existing and after-acquired assets of the Group and all proceeds thereof (including any insurance or other proceeds).

Royal Wolf - Titan Energy Services Ltd, Atlas Drilling Co Pty Ltd, Titan Plant Logistics Pty Ltd and Titan Resources Camp Hire Pty Ltd (together Guarantors) jointly and severally unconditionally guarantee payment of debt owed to Royal Wolf Trading Australia Ltd (RWT). The Guarantors jointly and severally indemnify RWT against any loss in relation to the non payment or recovery of debt owing.

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

It is a condition of the Class Order that the company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the company is wound up.

The directors are not aware of any other contingent liabilities or assets that are likely to have a material effect on the results of the Group, as disclosed in these financial statements.

NOTE 31: EVENTS AFTER THE END OF THE REPORTING PERIOD

The directors have declared a final fully franked ordinary dividend of $1,695,833 (3.5 cents per fully paid share) be paid on 6 September 2013 out of retained profits and a positive net asset balance at 30 June 2013.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 32: COMPANY DETAILS

The registered office of the company is:

Titan Energy Services Limited

1/170 Montague Road

South Brisbane, QLD, 4101

The principal places of business are:

– Atlas Drilling Co Pty Ltd

  1/170 Montague Road
  South Brisbane QLD, 4101

– Resources Camp Hire Pty Ltd

  1/170 Montague Road
  South Brisbane QLD, 4101

– Titan Plant Logistics Pty Ltd

  1/170 Montague Road
  South Brisbane QLD, 4101

– Nektar Remote Hospitality Pty Ltd

  1/170 Montague Road
  South Brisbane, QLD, 4101

– Atlas Drilling Services Pty Ltd

  1/170 Montague Road
  South Brisbane, QLD, 4101

– Hofco Oil Field Services Pty Ltd

  1/170 Montague Road
  South Brisbane, QLD, 4101

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 24 to 71 are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group.

2. In the directors' opinion there are reasonable grounds to believe that Titan Energy Services LImited will be able to pay its debts as and when they become due and payable.

3. the directors have been given the declarations required by s 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors.

James Sturgess

Director

Brisbane, 5 August 2013

lawler hacketts chartered accountants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TITAN ENERGY SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Titan Energy Services Limited ("the company") and its controlled entities ("the consolidated entity"), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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*.

Opinion

In our opinion:

a) the financial report of Titan Energy Services Limited and its controlled entities 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 2013 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 16 to 21 of the Directors' Report for the year ended 30 June 2013. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Titan Energy Services Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001.*

Lawler Hacketts

LAWLER HACKETTS AUDIT

Liam Murphy
Partner
Brisbane, 5 August 2013