

Sedgman Limited [ASX: SDM]

ABN 86 088 471 667

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**Sedgman Limited**

ABN 86 088 471 667

## Appendix 4E

for the year ended 30 June 2014

**APPENDIX 4E****PRELIMINARY FINAL REPORT**

Name of Entity:

**SEDGMAN Limited**

ABN:

86 088 471 667

Current reporting period

Year ended 30 June 2014

Previous corresponding period

Year ended 30 June 2013

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

				<b>\$'000</b>
Revenue from ordinary activities	Down	31.8%	to	318,423
Loss for the year attributable to equity holders of the parent	Down	181.6%	to	(7,693)
Basic earnings per share	Down	179.1%	to	(3.4¢)
Total dividend per share (100% franked)	Down	20.0%	to	4.0¢

**DIVIDENDS**

<b>Amount per Security</b>	<b>Franked amount per security</b>
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**For the year ended 30 June 2014**

Final Dividend – payable on 24 September 2014

\$0.020 \$0.020

Interim Dividend

\$0.020 \$0.020

**For the year ended 30 June 2013**

Final Dividend

\$0.020 \$0.020

Interim Dividend

\$0.030 \$0.030

**The Record date for determining entitlements to the final dividend****10 September 2014****Date the dividend is payable****24 September 2014**

**DIVIDEND REINVESTMENT PLAN**

The Directors have suspended the Dividend Reinvestment Plan ("DRP") pursuant to rule 13.1 of the DRP Rules until further notice. No action is required by participants in the DRP as a result of the suspension.

**FINANCIAL OVERVIEW**

Net loss after tax was (\$7.693) million (2013: Net profit after tax \$9.428 million), a reduction of 181.6%. The result was adversely impacted by reduced sites within the Operations business, the Projects business, the recognition of an onerous rental lease contract taken up due to reduced headcount and the write off of tax assets in foreign jurisdictions.

Projects combined sales revenue<sup>1</sup> decreased by \$22.833 million compared to the prior year as a number of significant projects undertaken in FY 2013 were not replaced in FY 2014. The biggest downturn was in the coal market. Coal projects were deferred as a result of declining long-term coal price forecasts and the high value of the Australian dollar.

Operations combined sales revenue<sup>1</sup> decreased by \$56.606 million compared to the prior year as anticipated. Five operating sites managed in 2013 on behalf of clients have been either shut down or transitioned back to the owners.

Net profit after tax for 2014 was subject to the following major adjustments:

- As part of the Group's review of the recoverability of its trade and other receivables, an impairment charge of \$5.784 million was recognised during the year;
- Sedgman had redundancies of 45 employees from Projects, Operations and Corporate during the year. The cost of these redundancies excluding the payment of leave provisions was \$1.656 million;
- The recognition of an onerous rental lease contract taken up due to reduced headcount of \$3.666 million; and
- The write off of tax assets in foreign jurisdictions of \$3.121 million.

<sup>1</sup> Combined sales revenue is a non-statutory item which has not been audited or reviewed. This item is used in presentations to the investment community when reviewing the Group's performance.

**NTA BACKING**

Net Tangible asset backing per ordinary security

Year ended 30 June 2014	Year ended 30 June 2013
<b>\$0.546</b>	<b>\$0.616</b>

**COMPLIANCE STATEMENT**

This report is based on accounts that have been audited. The audit report, which is unqualified, is contained in the company's 2014 Financial Statements.

Signed by: .....



Adrian Relf  
Company Secretary

Date: 28 August 2014

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**Sedgman Limited**

ABN 86 088 471 667

**Financial statements**

**for the year ended 30 June 2014**

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This financial report covers the consolidated entity consisting of Sedgman Limited and its controlled entities (the "Group"). The financial report is presented in Australian currency.

Sedgman Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2, 2 Gardner Close  
Milton QLD 4064  
AUSTRALIA

## **Directors' report**

The Directors present their report together with the financial statements of the Group consisting of Sedgman Limited ("Sedgman" or "the Company") and its subsidiaries for the year ended 30 June 2014 and the auditor's report thereon.

### **1. Directors**

The following persons were directors of Sedgman Limited during the financial year:

Russell James Kempnich (Appointed 6 July 1999)  
 Peter Richard Watson (Appointed 26 June 2014)  
 Donald James Argent (Appointed 12 April 2006)  
 Robert John McDonald (Appointed 8 June 2006)  
 Roger Ronald Short (Appointed 8 June 2006)  
 Peter Ian Richards (Appointed 14 December 2010)  
 Antony Leslie Jacobs (Appointed 3 October 2013)  
 Nicholas Neil Jukes (Appointed 17 January 2011, resigned 26 June 2014)  
 Bruce Alwin Munro (Appointed 21 December 2009, resigned 31 July 2013)

Refer Section 11 of this report for information on directors.

### **2. Principal activities**

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

### **3. Review of financial performance**

The Group's financial performance is explained using measures that are not defined under Australian Accounting Standards ("AASBs") and are therefore termed non-statutory measures. The non-statutory financial information contained within this Directors' report has not been audited or reviewed. The non-statutory measures used to monitor Group and business segment performance are combined sales revenue, earnings before interest, tax and amortisation ("EBITA") (underlying), EBITA (margin), and net cash. Refer to section 3.7 of this report for a reconciliation of these non-statutory amounts to statutory financial information.

#### **3.1. Business summary**

Sedgman is a leading provider of mineral processing and associated infrastructure solutions to the global resources industry. Providing multi-disciplinary engineering, project delivery and operations services, Sedgman offers expertise across all commodities including gold, copper, coal, iron ore, lead and silver. The whole-of-life approach is demonstrated through the Group's Create, Build, Operate business model with Sedgman partnering with clients from pre-feasibility and design through to construction, commissioning, operations and beyond, striving for excellence at every stage of delivery.

With a client base ranging from emerging to major mining companies Sedgman tailors fully integrated solutions to optimise clients' return on investment. Relationships are built on a foundation of trust and a commitment to delivering projects and operations on time, on budget and safely.

#### **3.2. Performance overview**

Net loss after tax of (\$7.693) million for FY 2014 was less than the FY 2013 net profit after tax of \$9.428 million. The result was adversely impacted by reduced sites within the Operations business, the Projects business, the recognition of an onerous rental lease contract taken up due to reduced headcount and the write off of tax assets in foreign jurisdictions.

Overall performance for FY 2012 to FY 2014 is tabulated below:

	Combined sales revenue		EBITA (underlying)		EBITA margin
	\$ millions	Growth %	\$ millions	Growth %	%
<b>FY 2014</b>	<b>355.9</b>	<b>(18.2)</b>	<b>3.9</b>	<b>(85.7)</b>	<b>1.1</b>
FY 2013	435.4	(32.8)	27.5	(57.0)	6.3
FY 2012	647.4	16.7	64.0	50.6	9.9

### 3. Review of financial performance (continued)

#### 3.2. Performance overview (continued)

The combined sales revenue decreased by \$79.439 million to \$355.912 million. The decrease is attributable to reduced operations sites and a slowdown in the Projects business. Key contributors to this is a sustained cyclical downturn in capital expenditure within the resources industry particularly in coal and a move by major miners towards bringing site operations in-house where practicable.

The Group's overheads are continually under review and have been reduced over the last two financial years; however this is being balanced with a need to maintain a core capability in delivering studies, projects and effectively managing clients' operations.

During the year Sedgman had redundancies of 45 employees from Projects, Operations and Corporate. The cost of these redundancies (excluding the payment of leave provisions) was \$1.656 million.

The number of full-time equivalent employees reduced from 788 at the end of FY 2013 to 681 at the end of FY 2014 which reflects natural attrition, terminations at end of fixed-term contracts and release of contract staff, as well as the redundancies referred to above.

#### 3.3. Projects segment

Sedgman's Projects business specialises in resource planning and assessment, project feasibility and engineering design across process, mechanical, civil, structural, electrical and controls disciplines. Projects are delivered through flexible commercial models including Engineering, Procurement and Construction ("EPC") and Engineering, Procurement and Construction Management ("EPCM"). A global procurement network including a sourcing hub in Shanghai provides cost advantages which are passed onto clients.

Safety is inherent throughout the entire project lifecycle from initial concept development through to project completion. The Projects business also focuses on the innovative incorporation of technology to increase value and reliability for clients.

Based on client requirements and experience with proven plant configurations, Sedgman can provide complete modular facilities or auxiliary circuits linked to client-owned plants to increase output, decrease operating costs, upgrade quality and manage asset and labour needs.

The Projects business undertakes studies and projects in the major mining regions of Australia, Africa, Asia and the Americas. With a thirty five year history of proven performance in remote regions, Sedgman can deliver projects across the globe. Current projects being delivered demonstrate the success of Sedgman's strategy of global and commodity based diversification.

- Idemitsu (Australia) – Boggabri CHPP project
- La Mancha (Australia) - Mungari gold project
- Guyana Goldfields (Guyana) - Aurora gold project
- Fortescue Metals Group (Australia) – Solomon Mine B60 iron ore project

The Projects business' performance for FY 2012 to FY 2014 is tabulated below:

Projects	Combined Revenue		EBITA (Underlying)		EBITA Margin
	\$ millions	Growth %	\$ millions	Growth %	%
<b>FY 2014</b>	<b>221.1</b>	<b>(9.4)</b>	<b>(7.2)</b>	<b>(163.2)</b>	<b>(3.3)</b>
FY 2013	243.9	(48.3)	11.3	(76.0)	4.6
FY 2012	471.7	20.1	47.1	68.8	10.0

Combined sales revenue for the Projects business decreased by \$22.833 million as a number of significant projects undertaken in FY 2013 were not replaced in FY 2014. The biggest downturn was in the coal market. Coal projects were deferred as a result of declining long-term coal price forecasts and the high value of the Australian dollar.

The Group's commodity diversification strategy continued to build momentum following the successful delivery of the Mungari Gold project in Western Australia in April of this year and the commencement of the Aurora Gold project in Guyana, South America announced in May 2014 (this project is scheduled to reach commercial production by mid-2015).



### 3. Review of financial performance (continued)

#### 3.3. Projects segment (continued)

Projects underlying EBITA was (\$7.193 million), (3.3%) of combined sales revenue which is less than the 4.6% margin achieved in FY 2013. Project margins were less than the prior year due to lower utilisation of Projects staff as a result of the continued slowdown in study and engineering activity, particularly in the first half of the year. There has been some improvement noted in the second half contributing to an improved pipeline of work opportunities, supported by clients seeking EPC contracts to provide them with improved project delivery assurance.

The resources sector globally continues to face a challenging environment as commodity prices have fallen from historic highs. In response, the larger mining companies have changed focus from expansion of production to cutting costs, increasing margins, improving productivity for existing assets and disposing of non-core assets. The initiation of new capital projects is likely to be delayed in the short term except in circumstances in which the financial impact for take or pay agreements for services such as rail and port capacity are committed. In addition, low cost, high grade, and smaller scale projects that do not require large supporting infrastructure (such as Base and Precious metals projects) are being funded and developed.

In this environment, the smaller mining companies faced with funding shortfalls to develop their projects will continue to experience difficulty in raising equity and debt for capital expenditure.

Project margins are expected to remain under pressure as competition for reduced opportunities intensifies.

Sedgman is responding to these market conditions by seeking opportunities from offshore markets which are not affected by the high Australian dollar and higher operating cost environment.

#### 3.4. Operations segment

Sedgman's Operations business provides all services required to operate and manage materials handling and processing plants with a focus on operational certainty and asset optimisation. The Operations capability assists clients by providing industry leading technical knowledge and experience.

Services include long and short term contract operation and maintenance of plants and associated infrastructure, operations development, management and support, as well as a full operations consultancy service. The Operations business delivers productivity and efficiency gains for clients by optimising plant safety, throughput and production quality.

Established systems enable Sedgman to assume contract operations of greenfield or brownfield plants with minimal ramp-up times. The Operations business is able to add incremental operations to its operations portfolio and accordingly is well positioned to support new entrants into the market. The Operations business has undertaken work in Australia and Mongolia operating thermal and metallurgical coal and base metals sites.

As well as servicing regular operations contracts, our on-call operations consultancy provides support in asset management, maintenance strategy, reliability engineering, processing, electrical engineering and controls systems.

The Operations business' performance for FY 2012 to FY2014 is tabulated below:

Operations	Combined Sales Revenue		EBITA (Underlying)		EBITA Margin
	\$ millions	Growth %	\$ millions	Growth %	%
<b>FY 2014</b>	<b>134.8</b>	<b>(29.6)</b>	<b>11.1</b>	<b>(31.0)</b>	<b>8.3</b>
FY 2013	191.4	9.0	16.1	(4.7)	8.4
FY 2012	175.7	8.3	16.9	15.8	9.6

Combined Operations sales revenue decreased by \$56.606 million compared to the prior year as anticipated. Five operating sites managed in 2013 on behalf of clients have been either shut down or transitioned back to the owners.

Operations underlying EBITA was \$11.132 million, 8.3% of combined sales revenue. Margins have been maintained within expectations as the Operations business focuses on improved productivity, cost control as well as the continuous improvement in operating performance at all sites.

During the year the Red Mountain contract was re-signed for a further three years with a two year option. All other contracts within the Operations' portfolio continue to operate and the company is currently in discussions with

- Goldfields – Agnew operations contract
- Glencore – Mt Isa operations contract
- Q-Coal – Sonoma operations contract

### **3. Review of financial performance (continued)**

#### **3.4. Operations segment (continued)**

Sedgman is also in discussion with potential mining clients both within Australia and internationally with the aim of securing new operations. Sedgman is focused on delivering value to clients by ensuring competitiveness in the market and offering a lower-cost option than owners (self-perform) by leveraging its systems, processes and procurement capability. The primary risk faced by Operations in FY 2015 is reduced scope, lower margins and transfer of current operations to owner-operates at the end of current contract terms.

The growth opportunities for the business unit lie with potential clients which have operating sites in need of productivity improvements, cost reductions, and simplification by outsourcing their operations to specialists. In addition, as the majors divest non-core assets, opportunities exist for Sedgman to provide operating services to new owners wishing to leverage Sedgman's existing experience, expertise and systems.

#### **3.5. Balance sheet**

##### **3.5.1. Assets**

Total assets decreased by \$34.423 million to \$255.957 million. During the financial year a significant driver was a reduction in working capital due to a decline in both the Operations and Projects businesses. This working capital reduction released cash to the business that has been utilised to pay dividends and re-invested in the business, primarily for sustaining capital purposes.

Working capital management is a key focus of the Group; the Group has commercial and contract guidelines in place to safeguard the Group's commercial interests. The Group's contracting philosophy is to be cash positive; however from time to time, due to timing of projects, execution and achieving final contract closure can result in under claims with our clients. Property, plant and equipment decreased by \$11.558 million predominately due to depreciation charges of \$13.172 million partly offset by capital expenditure of \$2.213 million. Capital expenditure has been constrained in the current economic climate to those items that reduce costs with rapid payback, are required to remain competitive or sustain the business.

##### **3.5.2. Liabilities**

Total liabilities decreased by \$19.739 million to \$92.594 million during the period, as a result of the slowdown in the global Projects business and reduced sites in the Operations business. Contributing to this, trade and other payables decreased by \$18.440 million.

##### **3.5.3. Equity**

Overall equity decreased by \$14.684 million primarily due to Net Loss after Tax for the year ended 2014 of (\$7.693) million and dividends paid during the year of (\$8.872) million, partly offset by increases related to the dividend reinvestment plan.

##### **3.5.4. Dividends**

Sedgman's policy is to pay an interim and a final dividend each year in the range of 40% to 60% of the reported Net Profit after Tax. Dividends are fully franked to the extent possible. The Company has excess franking credits and will be able to pay dividends which are fully franked for the foreseeable future. The Board will take into consideration any one-off factors and the cash requirements of the business when declaring a dividend.

##### **3.5.5. Financing facilities**

During the year Sedgman has reduced its club financing facilities with two Australian banks, Australia and New Zealand bank and the National Australia Bank which caters for the majority of Sedgman's financing requirements. At year end the Group had total financing facilities of \$144.135 million. The financing facilities in place for the Group provide flexibility, including bank guarantees to meet the Group's project bonding requirements as well as asset and working capital financing facilities.

### 3. Review of financial performance (continued)

#### 3.5. Balance sheet (continued)

##### 3.5.6. Net cash

The Group had net cash of \$76.476 million at the end of the financial year. The Board is maintaining a conservative cash position as the resources sector transitions through the capital cycle.

#### 3.6. Material business risks

Sedgman has an enterprise risk management framework that is structured to ensure risks and opportunities are captured, assessed and reviewed in a consistent manner.

The top risks and associated mitigation strategies identified are as follows:

Business risk	Mitigation strategy
A decline in the number of new projects initiated and/or insourcing of operations by owners has the potential to impact revenue and profitability.	The Group has a diverse service offering across a range of geographies and commodities.
Sedgman's licence to operate in the resources sector is conditional on having a robust safety management system and any significant failure may injure people.	Senior management, employees and suppliers are aligned and proactively engaged with the Group's safety management system.
The Group operates globally to support clients in foreign jurisdictions. Poor planning or execution of projects has the potential to damage the Group's reputation, profitability and ability to repatriate cash.	Sedgman engages with reputable external advisors, conducting a robust pre-contract assessment process, on-going monitoring, and adherence to the Group's processes and procedures.
Sedgman is a market leader in coal technology. A loss of this reputation would erode market share and increase competition in the sector.	Sedgman leverages its business model of building and operating and continues to focus on innovation and research and development.
Sedgman operates in a global market. Foreign competitors offering a lower cost model for services sourced in lower cost countries.	Sedgman provides technical leadership with value proposals based on offshore design offices and procurement services.

#### 3.7. Alternative performance measures reconciliations

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

The following are reconciliations of combined sales revenue to revenue from services in the statutory financial statements. This has been prepared for the Group and each reporting segment. Comparatives have been restated due to changes in accounting policy, refer note 45 to the consolidated financial statements.

##### *Reconciliation of Group combined sales revenue*

	FY 2014 \$'000	FY 2013 \$'000	FY 2012 \$'000
<b>Combined sales revenue</b>	<b>355,912</b>	435,351	647,417
Changes in construction work in progress	(28,033)	34,178	31,092
Share of GSJV revenue	(17,735)	-	-
Sedgman revenue from GSJV	9,698	-	-
Group share of associates revenue	(1,419)	(1,138)	-
Contract terminations	-	(1,750)	-
<b>Revenue from services</b>	<b>318,423</b>	466,641	678,509

### 3. Review of financial performance (continued)

#### 3.7. Alternative performance measures reconciliations (continued)

##### *Reconciliation of Project's combined sales revenue*

	FY 2014 \$'000	FY 2013 \$'000	FY 2012 \$'000
<b>Projects combined sales revenue</b>	<b>221,087</b>	243,920	471,677
Changes in construction work in progress	(28,033)	34,178	31,092
Share of GSJV revenue	(17,735)	-	-
Sedgman revenue from GSJV	9,698	-	-
Share of associates revenue	(1,419)	(1,138)	-
<b>Revenue from project services</b>	<b>183,598</b>	276,960	502,769

##### *Reconciliation of Operation's combined sales revenue*

	FY 2014 \$'000	FY 2013 \$'000	FY 2012 \$'000
<b>Operations combined sales revenue</b>	<b>134,825</b>	191,431	175,740
Contract terminations	-	(1,750)	-
<b>Revenue from operations services</b>	<b>134,825</b>	189,681	175,740

The following are reconciliations of EBITA (underlying) to net profit/(loss) in the statutory financial statements. This has been prepared for the Group and each reporting segment. Comparatives have been restated due to changes in accounting policy, refer note 45 to the consolidated financial statements.

##### *Reconciliation of Group EBITA (underlying)*

	FY 2014 \$'000	FY 2013 \$'000	FY 2012 \$'000
<b>EBITA (underlying)</b>	<b>3,939</b>	27,458	63,915
Interest income / change in fair value of financial assets	2,859	1,857	1,058
Finance costs	(2,710)	(2,795)	(2,188)
Impairment of property, plant and equipment	-	(6,358)	-
Redundancy costs	(1,656)	(2,994)	-
Onerous contract (lease)	(3,666)	-	-
Amortisation (brand and customer contracts)	(1,147)	(3,790)	(3,851)
<b>Net (loss)/profit before tax</b>	<b>(2,381)</b>	13,378	58,934
Income tax (expense)/benefit	(5,312)	(3,950)	(21,086)
<b>Net (loss)/profit after tax</b>	<b>(7,693)</b>	9,428	37,848

##### *Reconciliation of Projects' EBITA (underlying)*

	FY 2014 \$'000	FY 2013 \$'000	FY 2012 \$'000
<b>Projects EBITA (underlying)</b>	<b>(7,193)</b>	11,325	46,969
(Other income) / expenses	(1,089)	(2,649)	(5,378)
Finance costs	(1,216)	(1,254)	(1,076)
Redundancy costs	(1,433)	(2,654)	-
Onerous contract (lease)	(2,995)	-	-
<b>Reportable segment (loss)/profit before tax</b>	<b>(13,926)</b>	4,768	40,515

### 3. Review of financial performance (continued)

#### 3.7. Alternative performance measures reconciliations (continued)

##### *Reconciliation of Operations' EBITA (underlying)*

	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operations EBITA (underlying)</b>	<b>11,132</b>	16,133	16,946
(Other income) / expenses	(256)	(800)	-
Finance costs	(1,494)	(1,541)	(1,112)
Impairment of property, plant and equipment	-	(6,358)	-
Redundancy costs	(223)	(340)	-
Onerous contract (lease)	(671)	-	-
Amortisation (brand and customer contracts)	(1,147)	(3,790)	(3,851)
<b>Reportable segment (loss)/profit before tax</b>	<b>7,341</b>	3,304	11,983

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

The following is a reconciliation of net cash to cash and cash equivalents. Comparatives have been restated due to changes in accounting policy, refer note 45 to the consolidated financial statements.

	<b>FY 2014</b>	<b>FY 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash	76,476	76,365
Interest bearing liabilities (current)	9,860	5,750
Interest bearing liabilities (non-current)	11,453	21,239
<b>Cash and cash equivalents</b>	<b>97,789</b>	103,354

### 4. Dividends

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

<b>Declared and paid during the year ended 30 June 2014</b>	<b>Cents per share</b>	<b>Total Amount \$'000</b>	<b>Franked/Unfranked</b>	<b>Date of payment</b>
Final 2013 ordinary	2.0	4,407	Unfranked	17 Sept 2013
Interim 2014 ordinary	2.0	4,465	Franked	28 March 2014
	<b>4.0</b>	<b>8,872</b>		

Franked dividends declared as paid during the year were fully franked.

After the balance sheet date, a dividend of 2.0 cents per share was declared by the Directors, fully franked. The record date for entitlement to this dividend will be 10 September 2014 and the payment date will be 24 September 2014.

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

### 5. Earnings per share

	<b>2014 Cents</b>	<b>2013 Cents</b>
<b>(a) Basic earnings per share</b>		
Loss/(profit) attributable to the owners of the Company	<b>(3.4)</b>	4.3
<b>(b) Diluted earnings per share</b>		
Loss/(profit) attributable to the owners of the Company	<b>(3.4)</b>	4.3

## **6. Significant changes in the state of affairs**

Other than detailed elsewhere in this report, there have been no significant changes in the state of affairs since 30 June 2013.

## **7. Matters subsequent to the end of the financial year**

Other than the dividend declared subsequent to year end (refer note 29 to the consolidated financial statements), there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## **8. Likely developments and expected results of operations**

Information on likely developments and the expected results in future financial years have been detailed within the Review of Financial Performance section of this report (Section 3).

## **9. Shares under performance rights**

At the date of this report, unissued ordinary shares of the Company under rights are:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of shares</b>
27 August 2014	-	1,714,847
August 2016*	-	3,178,000

\* Actual vesting date will be the date the financial results are released to the market.

All performance rights outstanding at the end of the financial year were issued under the Long Term Incentive Plan and expire on the earlier of their vesting date or termination of the employee's employment. In addition, the ability to convert the performance right is dependent upon the achievement of a performance condition. Further details are included in the Remuneration Report. Details of ordinary shares issued in relation to performance rights vesting during the financial year are included in the Remuneration Report.

In addition to the above, the Company has 788,000 cash-settled share-based rights as detailed in Note 41(c) to the consolidated financial statements.

During or since the end of the financial year, no ordinary shares of the Company were issued as a result of the exercise of performance rights.

## **10. Regulation**

Sedgman's operations are regulated by national and state government legislation that encompasses environmental matters, occupational health and safety, and industrial relations.

Environmental authorities are involved at all stages of a project to ensure it complies with legislation and effectively manages pollution, waste, water use, contamination, dust, noise and other issues that have the potential to impact the environment.

Safety is regulated by various acts, regulations and standards. Clients also have specific safety requirements which are a primary driver for the selection of service providers in the industry.

Compliance with industrial relations regulations is achieved through planning and consultation. Individual project requirements are assessed and appropriate strategies developed to achieve industrial harmony and legislative compliance on a "per project" basis.

## **11. Information on directors**

### **Russell James Kempnich - B Eng (Mech)**

*Chairman*

DOB: 30 December 1952

Russell was appointed Chairman in April 2006. He is a founding partner of Sedgman & Associates Pty Ltd, the original company established in 1980, from which the Sedgman business has grown. Russell has more than 35 years experience in the Australian and international coal industry with broad experience in the areas of coal resource evaluation, process plant design, construction and commissioning.

As Managing Director of Sedgman from 1991, Russell led the organisation's growth from a consulting and engineering firm, to a market leader in coal preparation, design and construction. He was responsible for the expansion of the Company's operations internationally.

#### *Other public directorships*

Non-Executive Director of Stanwell Corporation Limited.

#### *Special responsibilities*

Member of the Remuneration & Nominations Committee.

#### *Interest in shares*

16,840,442 ordinary shares in Sedgman Limited.

### **Peter Richard Watson - B Eng (Chem) (Hons), Dip Acc Fin Mgt, FIEA, CP Eng, GAICD**

*Chief Executive Officer and Managing Director*

DOB: 31 August 1961

Peter was appointed Chief Executive Officer and Managing Director in June 2014. Prior to his current role he held various senior positions at Sedgman including Regional Director, responsible for managing the Company's Australia West, Americas and Africa regions, and Executive General Manager Australia, responsible for activities in engineering, project delivery and contract operations across the coal, metals, iron ore and infrastructure sectors.

Peter is a chemical engineer with more than 25 years experience in the mining and resources sector. Prior to joining Sedgman, Peter was General Manager of AMEC where he was responsible for the development and execution of business activities in the resources sector across Eastern Australia and the Asia-Pacific region. Peter also worked in strategic management roles for Thiess where he was a member of the Senior Executive team.

#### *Interest in shares*

50,501 ordinary shares in Sedgman Limited.

### **Donald James Argent - B Com, CPA, FAICD**

*Non-Executive Director*

DOB: 19 July 1947

Don was appointed to the Board in April 2006. He was the Director of Finance and Administration for the Thiess Group (resigned 29 July 2011). Don has over 30 years experience in the mining industry which began in the late 1970s at Thiess Holdings Ltd and then with Thiess Pty Ltd from 1985, where he had a pivotal role in the finance, administration, governance, growth and success of the Thiess Group of companies for 26 years until his retirement in 2011.

#### *Other public directorships*

Non-Executive Director of Ausdrill Limited.

#### *Special responsibilities*

Member of the Audit and Risk Management Committee.

#### *Interest in shares*

298,173 ordinary shares in Sedgman Limited.



## **11. Information on directors (continued)**

### **Robert John McDonald - B Com, MBA (Hons)**

*Non-Executive Director*

DOB: 18 March 1950

Rob was appointed to the Board in June 2006. He is the principal of The Minera Group, a specialist mining advisory and investment group headquartered in Australia and active in most mining regions of the world. Minera assists a select number of mining companies and mining investment and finance institutions in developing and executing business plans in the sector. Rob has more than 35 years experience in the mining sector, firstly in various roles within the Rio Tinto group and prior to launching Minera and his private equity initiatives in investment banking as a principal of Resource Finance Corporation and as a Managing Director of N M Rothschild & Sons.

#### *Other public directorships*

Former Non-Executive Director of Kimberley Metals Limited (February 2010 - January 2012) and Intrepid Mines Limited (March 2008 - May 2014).

#### *Special responsibilities*

Member of the Remuneration & Nominations Committee.

#### *Interest in shares*

664,120 ordinary shares in Sedgman Limited.

### **Roger Ronald Short - LLB, BA**

*Non-Executive Director*

DOB: 13 October 1944

Roger was appointed to the Board in June 2006. He is a construction lawyer and most recently served as a consultant at McCullough Robertson Lawyers. Roger was previously a partner in a large national law firm. He has been a member of the legal profession for over 30 years and has had extensive involvement in large scale property development projects and commercial, public infrastructure, construction, mining and infrastructure work. He has been a director of listed companies for more than 30 years and also holds current directorships with private and government corporations.

#### *Other public directorships*

Non-Executive Director of Payce Consolidated Limited.

#### *Special responsibilities*

Member of the Audit and Risk Management Committee.  
Chairman of the Remuneration & Nominations Committee.

#### *Interest in shares*

256,539 ordinary shares in Sedgman Limited.

### **Peter Ian Richards - B Com**

*Non-Executive Director*

DOB: 29 January 1959

Peter was appointed to the Board in December 2010. He has over 30 years experience in the mining services and industrial sectors with global companies including BP plc, Wesfarmers, Dyno Nobel Limited and Norfolk Group Limited where he served as Managing Director. In his time at Dyno Nobel he held a number of senior executive positions in both North America and Asia Pacific. He serves as a Director with several ASX-listed companies.

#### *Other public directorships*

Chairman of Cockatoo Coal Limited and NSL Consolidated Limited.  
Non-Executive Director of Emeco Holdings Limited and Bradken Limited.

#### *Special responsibilities*

Chairman of the Audit and Risk Management Committee.

#### *Interest in shares*

117,174 ordinary shares in Sedgman Limited.



## **11. Information on directors (continued)**

### **Antony Leslie Jacobs - B Com, MAICD**

*Non-Executive Director*

DOB: 28 May 1945

Tony is a highly experienced director of finance, currently consulting to Leighton Holdings. Prior to establishing his consulting business, Tony was the Chief Financial Officer of Leighton Asia Limited from 1992 to 2001 and again from 2008 to 2012 where he was responsible for all financial and administration matters of the company's operation in Asia. He was also the Chief Financial Officer for Leighton Contractors in Australia from 2002 to 2006. Tony has more than 50 years experience in the construction and mining industries. He has held senior finance positions in Australia, the USA and Hong Kong for John Holland, Strach International and for Leighton.

*Other public directorships*

Nil

*Interest in shares*

7,743 ordinary shares in Sedgman Limited.

### **Bruce Alwin Munro – B Eng (Civil)**

*Non-Executive Director*

DOB: 31 December 1953

Bruce is currently the Managing Director of the Thiess group. He leads one of Australia's largest integrated engineering and service contractors, with substantial operations in Indonesia and India. Bruce was formerly Thiess' Chief Executive Mining, with responsibility for the company's mining operations across Australia and offshore.

Bruce has more than 35 years' experience in the construction and mining industries. Commencing his career with Leighton Contractors, Bruce joined Thiess in 1986. From 1999 through to 2006 he was President Director of PT Thiess Contractors Indonesia. Bruce went on to become Executive General Manager Asia from 2006 to 2010, during which time he expanded Thiess' interests in Asia and pursued opportunities in India.

Bruce was appointed to the role of Non-Executive Director on 21 December 2009 and resigned on 31 July 2013.

*Other public directorships*

Nil

*Interest in shares*

20,076 ordinary shares in Sedgman Limited (as at the date of resignation on 31 July 2013).

### **Nicholas Neil Jukes – B Eng (Civil), FIEA**

*Former Chief Executive Officer and Managing Director*

DOB: 13 July 1956

Nick is a civil engineer with over 30 years experience in the engineering, construction and mining sectors. Prior to joining Sedgman, he was Executive Director of JTAA Pty Ltd, a company he established in 2007 to provide consulting services to the engineering and mining sectors. Nick has also held senior executive roles at Thiess and BHP Billiton Ltd where he was actively involved in the planning, development, construction and operation of major projects throughout Australia, South East Asia and South America. He was a previous Director of a number of companies including Sedgman Pty Ltd and Australasian Resources Pty Ltd.

Nick assumed the roles of Chief Executive Officer and Managing Director in January 2011. He resigned from these roles on 1 June 2014 and 26 June 2014 respectively, then formally left the organisation on 27 June 2014.

*Other public directorships*

Non-Executive Director of AWE Limited (August 2010 – November 2012).

*Interest in shares*

860,000 ordinary shares in Sedgman Limited (as at the date of resignation on 27 June 2014).

## 12. Company Secretary

The company secretary is Mr Adrian Relf. He was admitted as a solicitor in 2003 and holds the qualifications of Bachelor of Social Science, Bachelor of Laws, Graduate Diploma of Legal Practice and Graduate Diploma of Management.

## 13. Meetings of directors

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2014, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees <sup>(i)</sup>			
	A	B	Audit & Risk Management		Remuneration & Nominations	
			A	B	A	B
Russell James Kempnich	6	7			3	3
Peter Richard Watson (Appointed 26 June 2014) <sup>(ii)</sup>	0	0				
Nicholas Neil Jukes (Resigned 26 June 2014) <sup>(iii)</sup>	7	7				
Donald James Argent	7	7	4	4		
Robert John McDonald	7	7			3	3
Roger Ronald Short	7	7	2	4	2	3
Bruce Alwin Munro (Resigned 31 July 2013) <sup>(iv)</sup>	0	0				
Peter Ian Richards	7	7	4	4		
Antony Leslie Jacobs (Appointed 3 October 2013)	5	5				

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

- (i) Other Directors may attend Committee meetings by invitation.
- (ii) Peter Watson was appointed at the close of the final meeting of Directors.
- (iii) Nicholas Jukes resigned at the close of the final meeting of Directors.
- (iv) Bruce Munro ceased as Director prior to the first full meeting of Directors.

## 14. Remuneration report - audited

The directors are pleased to present the 2014 remuneration report which sets out remuneration information for Sedgman Limited's non-executive directors, executive directors and other key management personnel ("KMP").

Sedgman's remuneration strategy is designed to drive superior shareholder returns by aligning the short and long term interests of our people and our shareholders and by attracting and retaining high quality people.

### 14.1. Remuneration and Nominations Committee

The Remuneration and Nominations Committee ("Committee") was established as a sub-committee of the Board in 2006. The Committee comprises a majority of independent directors and is governed by its charter, which is contained in the Corporate Governance Charter available on the Sedgman website. The Charter sets out the membership, responsibilities, powers and activities of the Committee.

The following Directors were members of the Committee during FY2014:

Name	Position	Duration
Roger Short	Chairman	Since 6 June 2006
Russell Kempnich	Member	Since 6 June 2006
Robert McDonald	Member	Since 6 June 2006

The Committee met three times during FY2014 with details of attendances detailed in this Director's report.

The Committee may invite executives to attend meetings and assist in the performance of its functions (other than in respect of executive remuneration).

## **14. Remuneration report – audited (continued)**

### **14.2. Remuneration Framework and Principles**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The framework shows the interests of shareholders and the executive group in consideration of:

- i) Alignment to shareholders' interests:
  - focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
  - attracts and retains high calibre executives.
- ii) Alignment to executives' interests:
  - rewards capability and experience
  - reflects competitive reward for contribution to growth in shareholder wealth
  - provides a clear structure for earning rewards
  - provides recognition for contribution.

The framework provides a mix of fixed and variable pay through the following three components which are discussed in more detail later in this report:

- (i) fixed remuneration
- (ii) short-term performance incentives through the Short Term Incentive Plan
- (iii) long-term incentives through participation in the Long Term Incentive Plan

As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The split of potential fixed remuneration and "at risk remuneration" for the Managing Director and other executives is detailed below. This is based on maximum potential short term incentives and long term incentives for the year ended 30 June 2014 and demonstrates the high percentage of remuneration that is at risk resulting in executive remuneration being closely aligned to actual Group performance.

<b>Managing Director</b>	Cash 76%		Equity 24%
2013-14 FY	Fixed pay 31%	STI 45%	LTI 24%
<b>Executive KMPs (average)</b>	Cash 91%		Equity 9%
2013-14 FY	Fixed pay 54%	STI 37%	LTI 9%

### **14.3. Use of remuneration consultants**

No external remuneration consultants were engaged by the Board, Committee or executives to provide remuneration recommendations in relation to key management personnel during the year ended 30 June 2014.

## 14. Remuneration report – audited (continued)

### 14.4. Key management personnel changes and disclosures

During the year Sedgman undertook a review of its management structure to increase the focus on broadening market offerings whilst reducing costs across the Group. As a result from 1 September 2013, Peter Watson, previously Global Director – Development, took the leading role of the newly combined Australia West, Africa and Americas regions as Regional Director with his former role not being replaced. Simon Stockwell, previously Executive General Manager – Australia East took the leading role of the newly combined Australia East and Asia regions also as a Regional Director with his former role not being replaced. Michael Carretta's role of Regional Director – Operations has been removed and he has been appointed to the newly created role of Asset Management Services Director. Alan Ainsworth's role of Global Director – Projects has been removed and he has been appointed to the newly created role of Infrastructure Director.

Following on from the restructure certain Executive General Manager roles are no longer deemed KMP, namely: Javier Freire (Executive General Manager – Americas), Simon Mordecai-Jones (Executive General Manager – Africa) and Thomas Dockray (Executive General Manager – Asia). Also Sten Soderstrom (Executive General Manager – Australia West) ceased to be KMP upon his role being made redundant.

On 1 June 2014 Nick Jukes resigned from the role of Chief Executive Officer, with Peter Watson being appointed to the role. At the final Board meeting for the year on 26 June 2014 Nick Jukes also resigned as Managing Director, with Peter Watson assuming this role. Alan Ainsworth fulfilled Peter Watson's previously held Regional Director role as well as continuing in the Infrastructure Director role from 1 June 2014 to 30 June 2014.

For the purposes of all disclosures in this remuneration report:

- (i) Nick Jukes ceased being KMP on 26 June 2014 upon resignation of his Directorship;
- (ii) Javier Freire, Thomas Dockray and Simon Mordecai-Jones ceased being KMP on 30 August 2013;
- (iii) Sten Soderstrom ceased being KMP on 12 July 2013;
- (iv) Bruce Munro ceased being KMP on 31 July 2013; and
- (v) All other directors and executives are KMP for the whole of the financial year from 1 July 2013 to 30 June 2014.

Personnel deemed KMP at any time during the year ended 30 June 2014 are:

Name	Position
<i>Non-executive and executive directors – refer to section 11 of the Director's report for their names.</i>	
<i>Other key management personnel</i>	
Ian Poole	Chief Financial Officer
Michael Carretta	Asset Management Services Director
Alan Ainsworth	Infrastructure Director / Regional Director
Ken Boulton	Executive General Manager – Australia Operations
Simon Stockwell	Regional Director
Sten Soderstrom	Executive General Manager – Australia West
Simon Mordecai-Jones	Executive General Manager – Africa
Javier Freire	Executive General Manager – Americas
Thomas Dockray	Executive General Manager – Asia

Subsequent to 30 June 2014, a corporate restructure including key management personnel was undertaken to align the business with a sector service approach and deliver on Sedgman's Global Minerals Strategy. This led to the following changes in KMP:

Key Management Personnel*	Prior Role	New Role
Ian Poole	Chief Financial Officer	Director – Finance
Michael Carretta	Asset Management Services Director	Director – Engineering and Project Delivery
Alan Ainsworth	Infrastructure Director / Regional Director	Role made redundant
Ken Boulton	Executive General Manager – Australia Operations	Director – Operations
Simon Stockwell	Regional Director	Director – Client and Project Development

\* No changes were made to the Directors of the Company.

## **14. Remuneration report – audited (continued)**

### **14.5. Fixed Remuneration**

The fixed remuneration component of executive salaries includes base pay, benefits and superannuation.

Executives are offered a competitive fixed remuneration to reflect their role and responsibilities benchmarked against external data so it is consistent with the market for a comparable role. Executive performance and base pay is reviewed annually to ensure the executive's pay is competitive with the market and an executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any executives' contract.

Executives receive benefits including non-monetary benefits such as directors and officer's liability insurance. Executives may also choose to receive benefits by way of salary sacrificed motor vehicles and superannuation. The Group also provides superannuation in accordance with its legal obligations in the relevant jurisdiction.

### **14.6. Short Term Incentive ("STI") Plan**

The Group's STI plan is a structured and equitable way of rewarding executives for both Group and individual performance. The STI plan links performance with the opportunity to earn cash incentives based on a percentage of base pay. There is no ability for executives to defer unearned portions of STI to future financial years.

If the Group achieves a predetermined net profit after tax ("NPAT") target for the year, a self-funding bonus pool becomes available which is then further adjusted based on each executive's performance during the annual review process. For the financial year ended 30 June 2014:

- the Managing Director's key performance indicators ("KPIs") were set based on specific performance targets in relation to Group commercial and financial performance (on a net profit after tax basis), health safety and environment, people management and retention and corporate sustainability. For the year ended 30 June 2014, 50% of the Managing Director's KPIs were linked to commercial performance, with the remainder being linked to non-financial targets and achievement of objectives detailed in the Group's business plan.
- other executive's KPIs was linked to Group financial performance and financial performance of the executive's area of responsibility, along with non-financial targets including health, safety and environment, people management, and implementation of the Group's business plans.

Use of KPIs balanced between group and individual targets is intended to ensure variable reward is only available when value has been created for shareholders and when individual and group performance is consistent with the business plan.

Each executive's bonus opportunity depends on the accountabilities of the role, impact on the organisation and business unit performance. The amount of bonuses paid to individual employees is based on achievement of pre-agreed KPIs and is at the discretion of the Managing Director having regard to the executive's overall performance.

Where group financial performance exceeds targets, executives are able to earn above their target STI to a maximum of between 50 to 75 per cent of their base salary depending on role and responsibilities.

The Managing Director's target STI is 75 per cent of his base salary with the opportunity to earn a maximum of 1.5 times base salary in years of exceptional group and individual performance.

### **14.7. Long Term Incentive ("LTI") Plan**

The Group's LTI Plan is an equity incentive scheme which is intended to:

- reward high performance and to encourage a high performance culture across the Group
- align the interests of executives and senior management with those of the Group and shareholders
- provide the Group with the means to compete for talented staff by offering remuneration that includes an equity-based component, like many of its competitors
- assist with the attraction and retention of key personnel.

## **14. Remuneration report – audited (continued)**

### **14.7. Long Term Incentive (“LTI”) Plan (continued)**

Executives and senior managers eligible to participate in the LTI Plan are considered by the Board to be in roles that have the opportunity to significantly influence long-term shareholder value.

The original LTI Plan applying to Tranches 1, 2 and 3 was approved by shareholders at the Group's Annual General Meeting in November 2009.

Under the LTI Plan, the Company may issue eligible participants with performance rights which entitle the holder to subscribe for or be transferred one fully paid ordinary share of the Company for no consideration, or an equivalent cash-settled value, subject to the achievement of performance conditions specified by the Board. Equity-settled performance rights granted under the LTI Plan carry no dividend or voting rights. Those eligible to participate in tranches 1, 2 and 3 of the LTI Plan include executive directors, executives and selected employees of the Group.

#### **14.7.1. Performance rights – Tranches 1, 2 and 3**

The following vesting profile is in place for Tranches 1, 2 and 3 of the LTI Plan:

<b>Tranche</b>	<b>Performance measurement period</b>	<b>Vesting date</b>	<b>TSR ranking achieved</b>	<b>% Vested</b>
1	1 July 2009 to 30 June 2012	23 August 2012	10	50%
2	1 July 2010 to 30 June 2013	21 August 2013	15	0%
3	1 July 2011 to 30 June 2014	28 August 2014	13	0%

The performance rights are issued to executive directors and employees for no consideration and are subject to the continuing employment and lapse upon resignation, redundancy or termination (unless certain circumstances such as death or disability where vesting is at the discretion of the Board) or failure to achieve the specified performance vesting condition. The performance rights will immediately vest and become exercisable if in the Board's opinion a vesting event occurs (as defined in the plan rules) such as a takeover bid or winding up of the Company. If the performance rights vest and are exercised the employee receives ordinary shares of the Company for no consideration.

The performance vesting condition for performance rights issued is relative to the Total Shareholder Return (TSR). At the end of each tranche's performance measurement period, the Board will rank the Company's TSR against a peer group of other companies considered by the Board to be peers or competitors of the Company. The percentage of performance rights in each respective tranche that will vest and become exercisable will depend upon the Company's TSR performance relative to the companies in the peer group (as determined by the Board) as set out in the table below.

<b>Sedgman TSR ranking (at end of performance measurement period) *</b>	<b>Percentage of performance rights in relevant tranche that vest</b>
1-5	100%
6	90%
7	80%
8	70%
9	60%
10	50%
11-20	0%

\* The original peer group included 20 companies, including Sedgman Limited. The peer group now comprises 16 companies, as 4 companies were removed from the official list of ASX Limited.

For performance rights granted under tranches 1, 2 and 3 the peer group includes the following companies: NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Austin Engineering Ltd; Boart Longyear Limited; Worley Parsons Ltd; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; and AJ Lucas Group Limited.

#### **14. Remuneration report – audited (continued)**

##### **14.7. Long Term Incentive (“LTI”) Plan (continued)**

##### **14.7.2. Performance rights – Tranches 4, 5 and 6**

The LTI Plan was revised and re-approved by shareholders at the Group's Annual General Meeting in November 2012 to apply to Tranches 4, 5 and 6. The revised LTI Plan follows similar principles to the previous plan and seeks to:

- reward high performance and to encourage a high performance culture across the Group
- align the interests of executives and key senior management with those of the Group and shareholders
- provide the Group with the means to compete for talented staff by offering remuneration that includes an equity-based component, like many of its competitors
- assist with the attraction and retention of key personnel.

The LTI Plan applying for Tranches 4, 5 and 6 is limited to 18 participants in executive and senior management roles who are considered by the Board to be in roles that have the opportunity to significantly influence long-term shareholder value.

Based on the economic environment and the emphasis on constraining costs, no Tranche 4 performance rights were issued under the LTI Plan during the 2013 financial year.

The following vesting profile applies to Tranche 5 and will apply to any performance rights that may be issued under Tranche 6:

<b>Tranche</b>	<b>Performance measurement period</b>	<b>Vesting date</b>	<b>TSR ranking achieved</b>	<b>% Vested</b>
5	1 July 2013 to 30 June 2016	August 2016*	n/a	n/a
6	1 July 2014 to 30 June 2017	August 2017*	n/a	n/a

\* Actual vesting date will be the date the financial results are released to the market.

The number of performance rights issued to an eligible participant will be calculated as follows:

Number of performance rights = (% of base salary) x Issue Price

The % of base salary is dependent upon the participants' role and responsibilities and varies between 35% to 125%. The Issue Price is calculated as the volume weighted average price (“VWAP”) of Sedgman shares for the period 1 June until 31 July at the commencement of the performance period.

The performance rights are issued to executive directors and employees for no consideration and are subject to the same performance vesting conditions as applied to Tranches 1, 2 and 3 (as noted under “Performance rights – Tranches 1, 2 and 3” above).

For performance rights to be granted under Tranches 5 and 6 the peer group includes the following companies:

NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Worley Parsons Limited; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; Coffey International Limited; Decmil Group Limited; GR Engineering Services Limited; Calibre Group Holdings Limited; MACA Limited; UGL Limited and Southern Cross Electrical Engineering Limited.

The Board have also nominated an additional five suitable replacement companies (“the reserve group”). Where a company in the peer group is delisted, merges or ceases to be suitable for comparative purposes, it will, subject to the Board's discretion, be replaced by a company from the reserve group. The peer group and reserve group may be varied from time to time by the Board in its absolute discretion. During the year Clough Limited and Forge Group Limited were delisted and replaced with UGL Limited and Southern Cross Electrical Engineering Limited respectively. In addition, one of the reserve group companies, Norfolk Group Limited, was taken over by RCR Tomlinson Ltd. The remaining reserve group comprises:

VDM Group Limited and Resource Development Group Limited.



#### 14. Remuneration report – audited (continued)

##### 14.7. Long Term Incentive (“LTI”) Plan (continued)

The percentage of performance rights in each respective tranche that will vest and become exercisable will depend upon the Company's TSR performance relative to the companies in the peer group (as determined by the Board) as set out in the table below.

<b>Sedgman TSR ranking (at end of performance measurement period)</b>	<b>Percentage of performance rights in relevant tranche that vest</b>
1-5	100%
6	90%
7	80%
8	70%
9	60%
10	50%
11-20	0%

##### *Consequences of performance on shareholders wealth*

In considering the Group's performance and benefits for shareholders wealth, the Board has regard to the indices outlined below, in respect of the current financial year and the previous four financial years.

	<b>2014</b>	2013	2012	2011	2010
<b>Net (loss)/profit attributable to owners of Sedgman Limited (\$)</b>	<b>(7,693,435)</b>	9,428,093	37,848,123	26,029,713	24,987,061
Basic EPS (cents)	<b>(3.4)</b>	4.3	17.8	12.5	12.3
Dividends paid (\$)	<b>8,871,859</b>	20,537,060	17,962,316	13,449,474	12,314,262
Dividends paid per share (cents)	<b>4.0</b>	9.5	8.5	6.5	6.0
Share price at year end (\$)	<b>0.50</b>	0.53	1.39	1.85	1.34
Change in share price(\$)	<b>(0.03)</b>	(0.86)	(0.46)	0.51	0.37

##### 14.8. Employee Share Plan

The Sedgman Share Plan was introduced in 2011 and provided for eligible employees to receive \$1,000 worth of Sedgman shares. While an initial issue of shares was undertaken during the financial year ended 30 June 2011 this scheme did not operate for the 2012, 2013 and 2014 financial years.

##### 14.9. Employment agreements

Sedgman has entered into employment agreements with key executives, which contain standard terms and conditions for agreements of this nature, including confidentiality, restraint on competition and retention of intellectual property provisions. Where necessary the agreements are expressed to cover periods specific to individual appointments, but may generally be terminated by notice by either party, or earlier in the event of certain breaches of the terms and conditions. In the event of termination for any reason, the Company will pay any accrued and untaken annual leave and, subject to the relevant legislation, any accrued and untaken long service leave owing to the executive.

Specific terms and conditions of the employment agreements of key management personnel at the end of the financial year are summarised in the table below.

<b>Name</b>	<b>Position</b>	<b>Term of agreement</b>	<b>Notice period (by either party)</b>
Peter Watson <sup>(i)</sup>	Chief Executive Officer / Managing Director	n/a	6 months
Ian Poole	Chief Financial Officer	n/a	3 months
Michael Carretta	Asset Management Services Director	n/a	3 months
Alan Ainsworth	Infrastructure Director / Regional Director	n/a	3 months
Ken Boulton	Executive General Manager - Australia Operations	n/a	2 months
Simon Stockwell	Regional Director	n/a	2 months

(i) Prior to becoming the Chief Executive Officer / Managing Director in June 2014, Peter Watson held the role of Regional Director. During this time there was no term of agreement and the notice period was three months.



## **14. Remuneration report – audited (continued)**

### **14.9. Employment agreements (continued)**

The executive service contract with Mr Jukes ceased following his resignation on 27 June 2014.

The Company appointed Mr Peter Watson to the positions of Chief Executive Officer and Managing Director on 1 June 2014 and 26 June 2014, respectively, on an ongoing basis. The contract can be terminated by the Company immediately in certain circumstances including serious misconduct, gross neglect of duty, incompetence or engaging in conduct that causes or may cause imminent and serious risk to the health and safety of a person or the reputation, viability or profitability of the Company.

Mr Watson's contract may also be terminated by either party upon giving 6 months' notice, or by the Company on 3 months' notice where due to illness or incapacity, Mr Watson is unable to perform his duties, or is absent, for 3 calendar months. In the event of termination for any reason, the Company will pay any accrued and untaken annual leave and, subject to the relevant legislation, any accrued and untaken long service leave owing to Mr Watson.

### **14.10. Non-Executive Directors fees**

Non-executive directors may be paid, as remuneration for their services, a sum determined from time to time by Sedgman's shareholders in a general meeting, with that sum to be divided amongst the non-executive directors in such a manner and proportion as they agree.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

The non-executive directors' remuneration is inclusive of committee fees.

The maximum aggregate amount which has been approved by Sedgman's shareholders for payment to the non-executive directors is \$650,000 per annum.

Non-executive directors receive their remuneration as a combination of cash, superannuation and Sedgman Limited shares under the non-executive director's on-market share purchase scheme. No element of the non-executive director's remuneration is "at risk" and as such they do not receive short term incentives and are not entitled to participate in the Company's long term equity based incentive schemes.

## 14. Remuneration report – audited (continued)

### 14.11. Details of remuneration

#### 14.11.1. Amounts of remuneration

Details of the remuneration of the Directors and the key management personnel of the Group are set out below.

2014	Short-term			Long term benefits	Post-employment	Share based payments			Total \$	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
	Cash salary & fees \$	(i) STI bonus \$	Non-mone-tary benefits \$	Other long term benefits \$	(ii) Supera-nnuation benefits \$	Equity-settled		Cash-settled			
						Shares \$	(iii) Perform-ance rights \$	(iii) Perform-ance rights \$			
Non-executive Directors											
Russell Kempnich	107,725	-	7,670	-	11,075	11,999	-	-	138,469	-	-
Donald Argent	75,408	-	7,670	-	7,752	8,399	-	-	99,229	-	-
Robert McDonald	55,811	-	7,670	-	7,752	27,997	-	-	99,230	-	-
Roger Short	67,008	-	7,670	-	7,752	16,799	-	-	99,229	-	-
Bruce Munro	6,284	-	651	-	646	-	-	-	7,581	-	-
Peter Richards	41,808	-	7,670	-	7,752	41,999	-	-	99,229	-	-
Antony Jacobs	56,009	-	5,674	-	5,764	4,200	-	-	71,647	-	-
Executive Directors											
Peter Watson	440,223	-	7,670	-	25,000	-	106,534	-	579,427	18.39%	18.39%
Nicholas Jukes <sup>(iv,v)</sup>	595,439	-	7,607	-	25,000	-	638,386	-	1,266,432	50.41%	50.41%
Other key management personnel											
Ian Poole	350,901	-	7,670	-	25,000	-	128,371	-	511,942	25.08%	25.08%
Michael Carretta	379,225	-	7,670	22,923	25,000	-	60,507	-	495,325	12.12%	12.12%
Alan Ainsworth	351,515	-	7,670	-	32,515	-	60,507	-	452,207	13.38%	13.38%
Ken Boulton	299,896	-	7,670	-	27,740	-	37,665	-	372,971	10.10%	10.10%
Simon Stockwell	321,500	-	7,670	-	25,000	-	72,495	-	426,665	16.99%	16.99%
Sten Soderstrom <sup>(vi)</sup>	138,621	-	252	-	9,267	-	(96,930)	-	51,210	(189.28%)	(189.28%)
Simon Mordecai – Jones	41,190	-	2,110	-	-	-	-	-	43,300	-	-
Javier Freire	50,184	-	1,725	-	869	-	-	-	52,778	-	-
Thomas Dockray	80,107	5,135	20,481	-	-	-	-	-	105,723	4.86%	-
Totals	3,458,854	5,135	122,870	22,923	243,884	111,393	1,007,535	-	4,972,594		

- (i) The bonus figure disclosed for key management personnel relates to bonuses accrued for financial year (FY) 2014. Details of the vesting profile are shown below.
- (ii) Superannuation benefits include all amounts paid on behalf of employees within the 2014 financial year.
- (iii) The fair value of performance rights (equity and cash-settled) is calculated at the date of grant using the Monte Carlo pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the grant date fair value of the performance rights recognised in this reporting period. In addition, for cash-settled performance rights the fair value is remeasured at each reporting date up to and including the vesting date, with changes in fair value included in the individual's remuneration. In valuing the performance rights, market conditions have been taken into account. Remuneration in the form of performance rights includes negative amounts for performance rights forfeited during the year.
- (iv) Included in Nicholas Jukes' cash salary and fees and superannuation benefits is a termination payment of \$15,537.
- (v) Nicholas Jukes' ceased being KMP on 26 June 2014. Following this he formerly resigned from Sedgman on 27 June 2014 which triggered a reversal of prior year equity-settled performance rights of \$837,721 and the \$638,386 accrued within the 2014 financial year.
- (vi) Included in Sten Soderstrom's cash salary and fees and superannuation benefits is a termination payment of \$114,427.

# 14. Remuneration report – audited (continued)

## 14.11. Details of remuneration (continued)

	Short-term incentive bonus <sup>(i)</sup>	
	% vested in year	% forfeited in year <sup>(ii)</sup>
<b>Directors</b>		
Peter Watson	0%	100%
Nicholas Jukes	0%	100%
<b>Executives</b>		
Ian Poole	0%	100%
Michael Carretta	0%	100%
Alan Ainsworth	0%	100%
Ken Boulton	0%	100%
Simon Stockwell	0%	100%
Sten Soderstrom	0%	100%
Simon Mordecai – Jones	0%	100%
Javier Freire	0%	100%
Thomas Dockray <sup>(iii)</sup>	0%	100%

(i) Net profit after tax is the main financial performance target when setting short-term incentives.

(ii) The amounts forfeited are due to the performance of service criteria not being met in relation to the current financial year.

(iii) Thomas Dockray received a pro-rated bonus during the year in relation to China key performance measures achieved. This was outside of the Group's formal short-term incentive scheme.

2013

	Short-term			Long term benefits	Post-employment	Share based payments			Total \$	Proportion of remuneration performance related %	Value of performance rights as proportion of remuneration %
	Cash salary & fees \$	(i) STI bonus \$	Non-monetary benefits \$	Other long term benefits \$	(ii) Superannuation benefits \$	Equity-settled		Cash-settled			
						Shares \$	(iii) Performance rights \$	(iii) Performance rights \$			
<i>Non-executive Directors</i>											
Russell Kempnich	108,000	-	8,153	-	10,800	11,999	-	-	138,952	-	-
Donald Argent	42,000	-	8,153	-	7,560	42,000	-	-	99,713	-	-
Robert McDonald	56,003	-	8,153	-	7,560	27,997	-	-	99,713	-	-
Roger Short	67,200	-	8,153	-	7,428	16,800	-	-	99,581	-	-
Bruce Munro	75,600	-	8,153	-	6,924	8,400	-	-	99,077	-	-
Peter Richards	42,000	-	8,153	-	7,560	42,000	-	-	99,713	-	-
<i>Executive Directors</i>											
Nicholas Jukes <sup>(iv)</sup>	634,000	-	8,153	-	20,000	(592,000)	1,484,326	-	1,554,479	95.49%	95.49%
<i>Other key management personnel</i>											
Ian Poole	365,030	-	8,153	-	16,470	-	223,066	-	612,719	36.41%	36.41%
Peter Watson	421,900	-	8,153	-	25,000	-	147,475	-	602,528	24.48%	24.48%
Michael Carretta	370,000	-	8,153	6,158	33,300	-	44,678	-	462,289	9.66%	9.66%
Alan Ainsworth	370,000	-	8,153	-	33,300	-	44,678	-	456,131	9.79%	9.79%
Ken Boulton	185,833	-	5,383	-	16,725	-	11,806	-	219,747	5.37%	5.37%
Simon Stockwell	218,303	-	5,383	-	10,598	-	71,196	-	305,480	23.31%	23.31%
Sten Soderstrom	241,000	-	5,383	-	13,333	-	49,697	-	309,413	16.06%	16.06%
Simon Mordecai – Jones	234,786	-	13,483	-	-	-	-	(30,915)	217,354	(14.22%)	(14.22%)
Javier Freire	281,492	-	10,517	-	4,741	-	-	(82,442)	214,308	(38.47%)	(38.47%)
Thomas Dockray	324,557	3,404	152,235	-	-	-	-	-	480,196	0.71%	-
<b>Totals</b>	<b>4,037,704</b>	<b>3,404</b>	<b>282,067</b>	<b>6,158</b>	<b>221,299</b>	<b>(442,804)</b>	<b>2,076,922</b>	<b>(113,357)</b>	<b>6,071,393</b>		

## 14. Remuneration report – audited (continued)

### 14.11. Details of remuneration (continued)

- (i) The bonus figure disclosed for key management personnel relates to bonuses accrued for financial year (FY) 2013.
- (ii) Superannuation benefits include all amounts paid on behalf of employees within the 2013 financial year.
- (iii) The fair value of performance rights (equity and cash-settled) is calculated at the date of grant using the Monte Carlo pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the grant date fair value of the performance rights recognised in this reporting period. In addition, for cash-settled performance rights the fair value is remeasured at each reporting date up to and including the vesting date, with changes in fair value included in the individual's remuneration. In valuing the performance rights, market conditions have been taken into account. Remuneration in the form of performance rights includes negative amounts for performance rights forfeited during the year.
- (iv) At the 2011 Annual General Meeting held 28 November 2011, shareholder approval was received for Mr Jukes' remuneration contract which included equity-settled performance rights and the issue of 500,000 shares as a sign on entitlement. The shares in relation to the sign on entitlement were issued 28 February 2012, outside the one month period contemplated by that shareholder approval. Following discussion with the ASX, a lock was applied to the shares until the 2012 Annual General Meeting, at which time shareholder approval was re-sought and granted and the shares were released to Mr Jukes. The value of the shares was adjusted to reflect the closing share price on 28 November 2012, being the date of the 2012 Annual General Meeting.

#### 14.11.2. Details of performance rights affecting current and future remuneration

Details of vesting profiles of equity-settled performance rights held by each key management personnel of the Group are set out below.

	Number	Grant date	Fair value per right at grant date	% Vested In Year	% Forfeited In Year	Vesting date <sup>(iii)</sup>
<b>Directors</b>						
Peter Watson	250,000	28 July 2010	\$1.02	0%	100%	21 August 2013
	250,000	28 July 2010	\$0.95	-	-	28 August 2014
	490,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-	August 2016
Nicholas Jukes	1,000,000	28 November 2011	\$1.53	0%	100%	21 August 2013
	1,000,000	28 November 2011	\$1.36	-	-(i)	28 August 2014
	1,280,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-(i)	August 2016
<b>Key management personnel</b>						
Ian Poole	250,000	24 November 2010	\$1.39	0%	100%	21 August 2013
	250,000	24 November 2010	\$1.29	-	-	28 August 2014
	418,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-	August 2016
Michael Carretta	100,000	22 February 2010	\$0.86	0%	100%	21 August 2013
	100,000	22 February 2010	\$0.83	-	-	28 August 2014
	442,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-	August 2016
Alan Ainsworth	100,000	22 February 2010	\$0.86	0%	100%	21 August 2013
	100,000	22 February 2010	\$0.83	-	-	28 August 2014
	442,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-	August 2016
Ken Boulton	50,000	22 February 2010	\$0.86	0%	100%	21 August 2013
	50,000	22 February 2010	\$0.83	-	-	28 August 2014
	323,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-	August 2016
Simon Stockwell	100,000	31 October 2011	\$1.44	0%	100%	21 August 2013
	100,000	31 October 2011	\$1.28	-	-	28 August 2014
	376,000	21 November 2013 <sup>(iv)</sup>	\$0.42	-	-	August 2016
Sten Soderstrom <sup>(ii)</sup>	50,000	16 March 2012	\$1.57	0%	100%	21 August 2013
	50,000	16 March 2012	\$1.51	-	100%	28 August 2014

(i) Upon Nicholas Jukes' resignation on 27 June 2014 his outstanding performance rights were forfeited per the terms of LTI plan.

(ii) Per Section 14.4 of the Directors' report Sten Soderstrom ceased being KMP on 12 July 2013 and his performance rights were forfeited.

(iii) All performance rights expire on the vesting date or upon termination of the individual's employment. Upon vesting all performance rights have a \$0.00 exercise price and are exercised. In addition to a continuing employment service condition, vesting is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in Section 14.7.

(iv) No rights that have been granted as compensation were exercised or exercisable during the financial year 2014.

(v) Rights granted on 21 November 2013 were granted as compensation during the financial year 2014.

#### 14. Remuneration report – audited (continued)

##### 14.11. Details of remuneration (continued)

Details of cash-settled performance rights granted as remuneration to each key management personnel of the Group are set out below.

	Number	Modification / Grant date	Fair value per right at modification / grant date	% Vested In Year	% Forfeited In Year	Vesting date <sup>(ii)</sup>
<b>Key management personnel</b>						
Simon Mordecai-Jones <sup>(i)</sup>	100,000	1 December 2011	\$0.53	0%	100%	21 August 2013
	100,000	1 December 2011	\$0.54	-	-	28 August 2014
Javier Freire <sup>(i)</sup>	100,000	22 February 2010	\$0.53	0%	100%	21 August 2013
	100,000	22 February 2010	\$0.54	-	-	28 August 2014
	50,000	27 October 2011	\$0.53	0%	100%	21 August 2013
	50,000	27 October 2011	\$0.54	-	-	28 August 2014
Thomas Dockray <sup>(i)</sup>	-	-	-	-	-	-

- (i) Per Section 14.4 of the Directors' report Simon Mordecai-Jones, Javier Freire and Thomas Dockray were no longer KMP at 30 June 2014.
- (ii) All performance rights expire on the vesting date or upon termination of the individual's employment. Upon vesting all performance rights have a \$0.00 exercise price and are exercised. In addition to a continuing employment service condition, vesting is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are included in Section 14.7.
- No rights that have been granted as compensation were exercised or exercisable during the financial year 2014.

The conditions of the equity-settled performance rights previously granted to Simon Mordecai-Jones and Javier Freire were modified as at 30 June 2012 so that they can only be settled in cash. The market price of the Company shares as at this date was \$1.39. All other conditions remain as per the governing Long Term Incentive Plan. At the date of settlement they will receive an amount of cash equal to the value of the shares they would have been entitled to assuming all terms and conditions are met.

The fair value of equity-settled and cash-settled performance rights granted was determined using a Monte Carlo simulation model.

##### 14.11.3. Movements in performance rights

The movement during the reporting period, by value, of performance rights over ordinary shares in the Company held by each key management personnel of the Group is detailed below.

Name	Value of performance rights		
	Granted in year (i) \$	Vested in year (ii) \$	Forfeited in year (iii) \$
<b>Directors</b>			
Peter Watson	208,152	-	165,000
Nicholas Jukes	543,744	-	660,000
<b>Key management personnel</b>			
Ian Poole	177,566	-	165,000
Michael Carretta	187,762	-	66,000
Alan Ainsworth	187,762	-	66,000
Ken Boulton	137,210	-	33,000
Simon Stockwell	159,725	-	66,000
Sten Soderstrom	-	-	68,000
Simon Mordecai-Jones	-	-	66,000
Javier Freire	-	-	99,000
Thomas Dockray	-	-	-

- (i) The value of performance rights granted in the year is their fair value calculated at grant date using the Monte Carlo simulation-pricing model for rights with a TSR performance condition. The total value of the performance rights granted is included in the table above. This amount is allocated to remuneration over the vesting period in accordance with Australian Accounting Standards.
- (ii) The value of performance rights converted to shares or cash during the year is calculated as the market price of shares of the Company as at close of trading on the date the performance rights vested.
- (iii) The value of the performance rights forfeited during the year represents the benefit forgone and is calculated at the date the performance right vested assuming the performance criteria had been achieved.

## 14. Remuneration report – audited (continued)

### 14.11. Details of remuneration (continued)

#### 14.11.4. Equity instruments

##### *Equity performance rights holdings*

The number of equity performance rights over the ordinary shares in the Company held during the financial year by each Director of Sedgman Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2014 Name	Balance at the start of the year <sup>(i)</sup>	Granted as compensation	Exercised	Expired / Forfeited	Modified to cash-settled	Ceased as KMP	Balance at end of the year	Vested & exercised during the year	Vested and exercisable at year end
<i>Directors of Sedgman Limited</i>									
Russell Kempnich	-	-	-	-	-	-	-	-	-
Peter Watson	500,000	490,000	-	(250,000)	-	-	740,000	-	-
Donald Argent	-	-	-	-	-	-	-	-	-
Robert McDonald	-	-	-	-	-	-	-	-	-
Roger Short	-	-	-	-	-	-	-	-	-
Bruce Munro <sup>(iii)</sup>	-	-	-	-	-	-	n/a	-	-
Peter Richards	-	-	-	-	-	-	-	-	-
Nicholas Jukes <sup>(iii)</sup>	2,000,000	1,280,000	-	(1,000,000)	-	(2,280,000)	n/a	-	-
Antony Jacobs	-	-	-	-	-	-	-	-	-
<i>Other key management personnel of the Group</i>									
Ian Poole	500,000	418,000	-	(250,000)	-	-	668,000	-	-
Michael Carretta	200,000	442,000	-	(100,000)	-	-	542,000	-	-
Alan Ainsworth	200,000	442,000	-	(100,000)	-	-	542,000	-	-
Ken Boulton	100,000	323,000	-	(50,000)	-	-	373,000	-	-
Simon Stockwell	200,000	376,000	-	(100,000)	-	-	476,000	-	-
Sten Soderstrom <sup>(iv)</sup>	100,000	-	-	(100,000)	-	-	n/a	-	-

(i) Balance at the start of the year relates to 1 July or the date that an employee became a key management personnel.

(ii) Per Section 14.4 of the Directors' report Bruce Munro ceased being KMP on 31 July 2013.

(iii) Per Section 14.4 of the Directors' report Nicholas Jukes ceased being KMP on 26 June 2014.

(iv) Per Section 14.4 of the Directors' report Sten Soderstrom ceased being KMP on 12 July 2013.

##### *Cash-settled performance rights holdings*

The number of cash-settled performance rights over the ordinary shares in the Company held during the financial year by each of the key management personnel of the Group are set out below.

2014 Name	Balance at the start of the year <sup>(i)</sup>	Granted as compensation	Exercised	Expired / Forfeited	Modified to cash-settled	Ceased as KMP	Balance at end of the year	Vested & exercised during the year	Vested and exercisable at year end
<i>Key management personnel of the Group</i>									
Simon Mordecai-Jones <sup>(ii)</sup>	200,000	-	-	(100,000)	-	(100,000)	n/a	-	-
Javier Freire <sup>(ii)</sup>	300,000	-	-	(150,000)	-	(150,000)	n/a	-	-
Thomas Dockray <sup>(ii)</sup>	-	-	-	-	-	-	n/a	-	-

(i) Balance at the start of the year relates to 1 July or the date that an employee became a key management personnel.

(ii) Per Section 14.4 of the Directors' report Simon Mordecai-Jones, Javier Freire and Thomas Dockray ceased being KMP on 30 August 2013.

## 14. Remuneration report – audited (continued)

### 14.11. Details of remuneration (continued)

#### 14.11.5. Movements in shares

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties is set out below.

2014 Name	Balance at the start of the year <sup>(i)</sup>	Granted as compensation	Received during the year on the exercise of performance rights	Purchases / (Disposals)	Ceased as KMP	Balance at the end of the year
<i>Directors of Sedgman Limited</i>						
Ordinary shares						
Russell Kempnich	16,460,822	19,620	-	-	-	16,840,442
Peter Watson	50,501	-	-	-	-	50,501
Donald Argent	284,439	13,734	-	-	-	298,173
Robert McDonald	576,951	45,777	-	41,392	-	664,120
Roger Short	219,529	27,468	-	9,542	-	256,539
Bruce Munro <sup>(ii)</sup>	20,076	-	-	-	(20,076)	n/a
Peter Richards	48,501	68,673	-	-	-	117,174
Antony Jacobs	-	7,743	-	-	-	7,743
Nicholas Jukes <sup>(iii)</sup>	860,000	-	-	-	(860,000)	n/a
<i>Other key management personnel of the Group</i>						
Ordinary shares						
Ian Poole	63,001	-	-	(62,500)	-	501
Michael Carretta	87,333	-	-	-	-	87,333
Alan Ainsworth	50,501	-	-	(25,000)	-	25,501
Ken Boulton	97,193	-	-	-	-	97,193
Simon Stockwell	501	-	-	-	-	501
Sten Soderstrom	-	-	-	-	-	-
Simon Mordecai – Jones <sup>(iv)</sup>	-	-	-	-	-	n/a
Javier Freire <sup>(iv)</sup>	-	-	-	-	-	n/a
Thomas Dockray <sup>(iv)</sup>	-	-	-	-	-	n/a

(i) Balance at the start of the year relates to 1 July or the date that an employee became a key management personnel.

(ii) Per Section 14.4 of the Directors' report Bruce Munro ceased being KMP on 31 July 2013.

(iii) Per Section 14.4 of the Directors' report Nicholas Jukes ceased being KMP on 26 June 2014.

(iv) Per Section 14.4 of the Directors' report Simon Mordecai-Jones, Javier Freire and Thomas Dockray ceased being KMP on 30 August 2013.

#### 14.11.6. Key management personnel transactions

During the year, a key management person had control over an entity that provided consulting services with respect to a dispute on a Projects contract. The terms and conditions of the transactions with the key management person and their related party were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

## 15. Indemnification and insurance of officers and auditors

### *Indemnification*

The Company has agreed to indemnify the current Directors and all officers of its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors or officers of the Company and its controlled entities, except where liability arises out of conduct involving a lack of good faith.

The Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Company.

### *Insurance premiums*

The Company has insured its indemnification of liabilities in respect of Directors and officers of the Company and its controlled entities.



## 16. Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Management Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the Group, KPMG, its related practices and non-related audit firms.

	2014 \$
<b>Services other than audit and review of financial statements:</b>	
<b><i>Other regulatory audit services</i></b>	
Long service leave audit	25,805
<b><i>Other assurance services</i></b>	
Due diligence services and other assurance services	90,264
<b><i>Other services</i></b>	
Taxation services	405,111
Research and development allowance services	150,000
	<u>671,180</u>
<b>Audit and review of financial statements</b>	<u>485,578</u>
<b>Total paid to KPMG</b>	<u>1,156,758</u>

## 17. Auditor

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28 and forms part of the directors' report for the financial year ended 30 June 2014.

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

## 18. Rounding

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



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

A handwritten signature in black ink, appearing to read 'R. Kempnich', with a stylized, sweeping flourish at the end.

Russell James Kempnich  
Chairman

A handwritten signature in blue ink, appearing to read 'Peter Watson', with a long, horizontal flourish extending to the right.

Peter Richard Watson  
Managing Director

Brisbane  
27 August 2014



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

To: the Directors of Sedgman Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature of the KPMG representative, written in black ink.

KPMG

A handwritten signature in cursive script, reading 'Scott Guse', written in black ink.

Scott Guse  
Partner

Brisbane  
27 August 2014

**Sedgman Limited**  
**Consolidated statement of profit or loss**  
**For the year ended 30 June 2014**

	Notes	2014 \$'000	2013 \$'000 *Restated
<b>Continuing operations</b>			
Revenue from services		<b>318,423</b>	466,641
Other income	6	<b>4,204</b>	7,056
		<b>322,627</b>	473,697
<b>Expenditure</b>			
Changes in construction work in progress		<b>28,033</b>	(34,178)
Raw materials and consumables used		<b>(196,983)</b>	(222,538)
Depreciation and amortisation expense	7	<b>(16,304)</b>	(20,071)
Employee expenses		<b>(95,645)</b>	(127,363)
Agency contract fees		<b>(5,837)</b>	(7,947)
Impairment of property, plant and equipment	7	-	(6,358)
Impairment of receivables	7	<b>(5,784)</b>	(7,601)
Other expenses		<b>(30,797)</b>	(31,423)
Finance costs	7	<b>(2,710)</b>	(2,795)
		<b>(326,027)</b>	(460,274)
Share of net profit/(losses) of investments accounted for using the equity method	36	<b>1,019</b>	(45)
<b>(Loss)/profit before income tax</b>		<b>(2,381)</b>	13,378
Income tax (expense)/benefit	8	<b>(5,312)</b>	(3,950)
<b>(Loss)/profit for the year attributable to the owners of the Company</b>		<b>(7,693)</b>	9,428

		Cents	Cents
<b>Earnings per share – continuing operations:</b>			
Basic earnings per share	39	<b>(3.4)</b>	4.3
Diluted earnings per share	39	<b>(3.4)</b>	4.3

\* See note 45 for details regarding the restatement as a result of changes in accounting policy.

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

**Sedgman Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2014**

	<b>2014</b> <b>\$'000</b>	2013 \$'000 *Restated
<b>(Loss)/profit</b>	<b>(7,693)</b>	9,428
<b>Other comprehensive income</b>		
<b>Items that will never be reclassified to profit or loss</b>		
Changes in fair value of financial assets (net of tax)	<b>43</b>	(420)
<b>Items that are or may be reclassified to profit or loss</b>		
Foreign operations – foreign currency translation differences	<u><b>(2,051)</b></u>	138
<b>Other comprehensive income (net of tax)</b>	<u><b>(2,008)</b></u>	<u>(282)</u>
<b>Total comprehensive income attributable to the owners of the Company</b>	<u><b>(9,701)</b></u>	<u>9,146</u>

\* See note 45 for details regarding the restatement as a result of changes in accounting policy.

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

**Sedgman Limited**  
**Consolidated balance sheet**  
**As at 30 June 2014**

	Notes	2014 \$'000	2013 \$'000 *Restated	1 July 2012 \$'000 *Restated
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	9	97,789	103,354	93,085
Trade and other receivables	10	77,518	91,772	170,384
Assets classified as held for sale	11	1,483	1,483	-
Current tax assets	12	1,989	4,158	-
Inventories	13	2,587	4,387	6,864
Total current assets		181,366	205,154	270,333
<b>Non-current assets</b>				
Trade and other receivables		-	-	741
Investments accounted for using the equity method	14	2,587	505	-
Financial assets at fair value through other comprehensive income	15	1,026	400	1,000
Financial assets at fair value through profit or loss	16	808	-	-
Property, plant and equipment	17	24,023	35,581	48,744
Deferred tax assets	18	6,871	6,477	9,151
Intangible assets	19	39,276	42,263	44,330
Total non-current assets		74,591	85,226	103,966
<b>Total assets</b>		<b>255,957</b>	<b>290,380</b>	<b>374,299</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	20	54,962	73,402	137,341
Interest bearing liabilities	21	9,860	5,750	1,653
Provisions	22	10,829	8,363	9,415
Current tax liabilities	23	2,026	744	15,885
Total current liabilities		77,677	88,259	164,294
<b>Non-current liabilities</b>				
Interest bearing liabilities	24	11,453	21,239	25,076
Provisions	26	3,238	2,585	1,417
Other		226	250	900
Total non-current liabilities		14,917	24,074	27,393
<b>Total liabilities</b>		<b>92,594</b>	<b>112,333</b>	<b>191,687</b>
<b>Net assets</b>		<b>163,363</b>	<b>178,047</b>	<b>182,612</b>
<b>EQUITY</b>				
Contributed equity	27	116,212	112,250	106,377
Reserves		4,978	7,059	6,388
Retained profits		42,173	58,738	69,847
Parent entity interest		163,363	178,047	182,612
<b>Total equity attributable to equity holders of the Company</b>		<b>163,363</b>	<b>178,047</b>	<b>182,612</b>

\* See note 45 for details regarding the restatement as a result of changes in accounting policy.

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

**Sedgman Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2014**

		Contributed equity	Reserves		Retained earnings	Total Equity
			Foreign currency translation reserve	Equity compensation reserve	Financial assets revaluation reserve	
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2012</b>					-	
<b>* Restated</b>		106,377	(4,658)	11,046	69,847	182,612
<b>Total comprehensive income<sup>^</sup></b>						
(Loss)/profit		-	-	-	9,428	9,428
<b>Total other comprehensive income</b>						
Movement in fair value of financial assets		-	-	-	(420)	(420)
Foreign exchange translation differences		-	138	-	-	138
<b>Total comprehensive income</b>		-	138	-	(420)	9,146
<b>Transactions with owners of the Company<sup>^</sup>:</b>						
Contributions of equity	27	5,873	-	-	-	5,873
Employee performance rights		-	-	953	-	953
Dividends provided for or paid	29	-	-	-	(20,537)	(20,537)
<b>Total contributions by and distributions to owners</b>		5,873	-	953	(20,537)	(13,711)
<b>Balance at 30 June 2013</b>		112,250	(4,520)	11,999	(420)	178,047
<b>* Restated</b>						
<b>Balance at 1 July 2013</b>		112,250	(4,520)	11,999	(420)	178,047
<b>Total comprehensive income<sup>^</sup></b>						
(Loss)/profit		-	-	-	(7,693)	(7,693)
<b>Total other comprehensive income</b>						
Movement in fair value of financial assets		-	-	-	43	43
Foreign exchange translation differences		-	(2,051)	-	-	(2,051)
<b>Total comprehensive income</b>		-	(2,051)	-	43	(9,701)
<b>Transactions with owners of the Company<sup>^</sup>:</b>						
Contributions of equity	27	3,962	-	-	-	3,962
Employee performance rights		-	-	(73)	-	(73)
Dividends provided for or paid	29	-	-	-	(8,872)	(8,872)
<b>Total contributions by and distributions to owners</b>		3,962	-	(73)	(8,872)	(4,983)
<b>Balance at 30 June 2014</b>		116,212	(6,571)	11,926	(377)	163,363

<sup>^</sup> Amounts recognised are disclosed net of income tax (where applicable).

\* See note 45 for details regarding the restatement as a result of changes in accounting policy.

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

**Sedgman Limited**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2014**

	Notes	2014 \$'000	2013 \$'000 *Restated
<b>Cash flows from operating activities</b>			
Cash receipts from customers		357,681	561,939
Cash payments to suppliers and employees		(345,025)	(506,467)
		12,656	55,472
Interest received		2,525	1,857
Financing costs paid		(2,354)	(2,204)
Income taxes refunded		966	522
Income taxes paid		(3,015)	(19,528)
<b>Net cash from operating activities</b>	38	<b>10,778</b>	36,119
<b>Cash flows from investing activities</b>			
Investment in joint venture		(1,130)	-
Acquisition of subsidiary, net of cash acquired		-	(2,626)
Acquisition of other investments		(500)	-
Payments for convertible notes		(750)	-
Acquisition of shares in associate	36(c)	-	(804)
Proceeds from sale of shares in associate	36(c)	-	254
Loan to associate	33(f)	-	(561)
Repayment of loan by associate	33(f)	-	561
Payments for property, plant and equipment		(2,213)	(5,258)
Proceeds from sale of property, plant and equipment		342	605
Acquisition of intangible asset	19	(145)	(615)
<b>Net cash used in investing activities</b>		<b>(4,396)</b>	(8,444)
<b>Cash flows from financing activities</b>			
Payment of financing transaction costs		-	(816)
Finance lease payments		(1,532)	(1,776)
Proceeds from borrowings		-	21,000
Repayment of borrowings		(4,200)	(22,183)
Dividends paid	29	(4,910)	(15,589)
<b>Net cash used in financing activities</b>		<b>(10,642)</b>	(19,364)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,260)</b>	8,311
Effect of exchange rate fluctuations on cash held		(1,305)	1,958
Cash and cash equivalents at 1 July		103,354	93,085
<b>Cash and cash equivalents at 30 June</b>	9	<b>97,789</b>	103,354

\* See note 45 for details regarding the restatement as a result of changes in accounting policy.

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

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## **1 Reporting entity**

Sedgman Limited (the "Company") is domiciled in Australia. The Company's registered office is at Level 2, 2 Gardner Close, Milton QLD 4064, Australia. These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies").

The Group is a for-profit entity and primarily is involved in providing project and operational services to the resources industry (see note 5).

## **2 Basis of accounting**

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") adopted by the International Accounting Standards Board ("IASB"). They were authorised for issue by the Board of Directors on 27 August 2014. Details of the Group's accounting policies, including changes during the year, are included in notes 45 and 46.

## **3 Functional and presentation currency**

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## **4 Use of judgements and estimates**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### **(a) Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Assessment of projects on a percentage of completion basis, in particular with regard to accounting for claims and variations, the timing of profit recognition and the amount of profit recognised (refer notes 40 and 46(d)(ii)).
- Classification of joint arrangements (refer notes 36(b) and 45(b)).

### **(b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2015 is included in the following notes:

- Estimation of the economic life of property, plant and equipment (refer note 46(m)) and intangibles (refer note 46(n)), and the carrying amount of receivables (refer note 46(g)); and
- Testing of assets for impairment (refer notes 19, 46(g) and 46(i)).

#### *Review of carrying values of certain items of plant and equipment*

During the prior year, the Group completed a review of plant and equipment in the Operations business unit. As a result of this review, an impairment charge of \$6.358 million (refer note 7) was recognised to write the carrying value of the equipment down to its estimated recoverable amount. Recoverable amount was determined based on an estimate of the fair value less costs to sell, which is determined with reference to an external valuation. This valuation took into account sales on comparable plant and equipment on an appropriate basis. This impairment loss was recognised within expenses in profit or loss. No adjustment was required to be made to the current year's carrying value of these assets.

#### *Review of carrying values of receivables*

As part of the Group's review of the recoverability of its trade and other receivables, an impairment charge of \$5.784 million (2013: \$7.601 million) was recognised during the year (refer note 7) within expenses in profit or loss.

#### *Measurement of fair values*

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

#### 4 Use of judgements and estimates (continued)

##### (b) Assumptions and estimation uncertainties (continued)

The Group has an established control framework with respect to the measurement of fair values. This includes review of significant fair value measurements at reporting periods, including Level 3 fair values. The reviews include assessments of significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then evidence is obtained from the third parties to support the conclusion that such valuations meet the requirements of AASBs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Audit and Risk Management Committee.

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair values is included in notes 37 and 41.

#### 5 Operating segments

##### (a) Description of segments

The Group has the following two reportable segments, which are the Group's strategic business units. For each of the strategic business units, the CEO reviews internal management reports on a monthly basis.

###### *Projects*

Design, construction and commissioning of coal handling and preparation plants, minerals processing plants and other related equipment.

###### *Operations*

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

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

2014	Projects \$'000	Operations \$'000	Consolidated \$'000
External revenue	183,598	134,825	318,423
Interest and finance charges	(1,216)	(1,494)	(2,710)
Depreciation and amortisation expense	(3,414)	(12,890)	(16,304)
Impairment of receivables	(5,689)	(95)	(5,784)
Contract terminations	-	-	-
Share of net profit/(loss) of investments accounted for using the equity method	1,019	-	1,019
Segment profit/(loss) before income tax	(13,926)	7,341	(6,585)
Capital expenditure	534	1,824	2,358

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**5 Operating segments (continued)**

<b>2013 Restated</b>	<b>Projects \$'000</b>	<b>Operations \$'000</b>	<b>Consolidated \$'000</b>
External revenue	276,960	189,681	466,641
Interest and finance charges	(1,254)	(1,541)	(2,795)
Depreciation and amortisation expense	(4,097)	(15,974)	(20,071)
Impairment of property, plant and equipment	-	(6,358)	(6,358)
Impairment of receivables	(7,601)	-	(7,601)
Contract terminations	-	1,750	1,750
Share of net profit/(loss) of investments accounted for using the equity method	(45)	-	(45)
Reportable segment profit/(loss) before income tax	4,768	3,304	8,072
Capital expenditure	2,029	7,149	9,178

  

	<b>2014 \$'000</b>	<b>2013 \$'000</b> Restated
Total profit or loss for reportable segments	<b>(6,585)</b>	8,072
Other income (note 6) ^	<b>4,204</b>	5,306
<i>Total profit/(loss) before income tax</i>	<b>(2,381)</b>	13,378

^ Contract terminations included within note 6 have been allocated to the Operations reporting segment.

**(b) Geographical segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of Group offices. Segment assets are based on the geographical location of the assets.

	<b>Revenues 2014 \$'000</b>	<b>Non-current assets 2014 \$'000</b>	<b>Revenues 2013 \$'000</b> Restated	<b>Non-current assets 2013 \$'000</b> Restated
Australia	308,772	65,222	434,952	75,279
Barbados	212	-	-	-
Botswana	2	-	370	-
Canada	2,248	16	408	-
Chile	10,039	95	5,460	392
China	1,210	436	186	1,997
Colombia	42	-	-	-
Mongolia	1,755	12	8,246	1
Mozambique	(6,715)	-	13,447	3
South Africa	858	105	3,572	677
	<b>318,423</b>	<b>65,886</b>	<b>466,641</b>	<b>78,349</b>

**(c) Major customers**

Revenues from three (2013: four) customers of the Group represents \$133.436 million (2013: \$235.883 million) of the Group's total revenues.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**6 Other income**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
Interest income	2,836	1,857
Sundry income	736	592
Contract terminations*	-	1,750
Impact of financial assets through profit or loss – net change in fair value	23	-
Net gain on disposal of property, plant and equipment	-	354
Foreign exchange gains	609	2,503
	<b>4,204</b>	<b>7,056</b>

\* Contract terminations represents amounts received by the Group upon the termination of the Blair Athol operations contract in 2013.

**7 Expenses**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
Depreciation and amortisation		
Property, plant and equipment	11,056	12,155
Leased plant and equipment	2,116	2,321
Customer contracts	600	3,061
Brands	547	729
Software	1,985	1,805
Total depreciation and amortisation	<b>16,304</b>	<b>20,071</b>
Impairment of property, plant and equipment (note 4(b))	-	6,358
Net loss on disposal of property, plant and equipment	175	-
Redundancy costs	1,656	2,994
Net impairment of receivables (notes 4(b); 46(g); 46(i))	5,784	7,601
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,710	2,770
Interest associated with increase in provisions due to the passage of time	-	25
Finance costs expensed	<b>2,710</b>	2,795
Interest income (note 6)	(2,836)	(1,857)
Impact of financial assets through profit or loss – net change in fair value (note 6)	(23)	-
Net finance costs	<b>(149)</b>	<b>938</b>

Contributions to defined contribution superannuation funds by the Group for the year ended 30 June 2014 amounted to \$6.233 million (2013: \$8.287 million).

**8 Income tax expense**

**(a) Income tax expense**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Current tax	5,421	4,940
Current tax – prior year adjustment	304	(3,844)
Deferred tax	(2,075)	(1,060)
Deferred tax – prior year adjustment	1,662	3,914
	<b>5,312</b>	<b>3,950</b>

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**8 Income tax expense (continued)**

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Profit/(loss) from continuing operations before income tax expense	<b>(2,381)</b>	13,378
Tax at the Australian tax rate of 30% (2013: 30%)	<b>(714)</b>	4,013
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-allowable deductions	<b>971</b>	1,494
Non-deductible consulting fees	<b>1</b>	264
Tax exempt income	<b>-</b>	(1)
Difference in overseas tax rates	<b>251</b>	(582)
Under (over) provision in prior years <sup>(i)</sup>	<b>1,966</b>	70
Foreign tax credits	<b>(11)</b>	(1,190)
Tax incentives	<b>(600)</b>	(510)
Tax losses for which no deferred tax asset was recognised	<b>-</b>	697
Tax losses written off	<b>3,121</b>	-
Foreign tax refunds derecognised	<b>255</b>	-
Sundry	<b>72</b>	(305)
Total income tax (benefit)/expense	<b>5,312</b>	3,950

- (i) Included in the over/(under) provision amount is \$0.552 million (2013: nil) which relates to non-deductible foreign tax credits and \$0.632 million (2013: nil) which relates to the derecognition of a deferred tax asset from tax benefits that will not be realised.

**(c) Tax expense/(income) relating to items of other comprehensive income**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
(Gains)/losses on revaluation of financial assets	<b>19</b>	(180)

**9 Current assets – Cash and cash equivalents**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
Cash at bank and in hand	<b>25,478</b>	44,477
Deposits at call	<b>17,311</b>	36,838
Short term deposits	<b>55,000</b>	22,039
Cash and cash equivalents in the statement of cash flows	<b>97,789</b>	103,354

Foreign currency controls exist in certain jurisdictions in which the Group operates, namely China and Mozambique. As a result, cash reserves can build up from time to time in those jurisdictions until the necessary approval processes are completed to enable repatriation of funds to Australia. At 30 June 2014 cash reserves in Mozambique were \$6.762 million (2013: \$17.381 million) and in China were \$0.902 million (2013: \$2.689 million).

**10 Current assets - Trade and other receivables**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
Trade receivables	<b>71,608</b>	79,143
Construction work in progress (note 40)	<b>6,663</b>	10,135
Other receivables and prepayments	<b>14,331</b>	14,835
Provision for impairment of receivables (note 37(b))	<b>(15,084)</b>	(12,341)
	<b>77,518</b>	91,772

Trade and other receivables are non-interest bearing and are expected to be received within 12 months. The Group's exposure to credit risks and impairment losses related to trade and other receivables (excluding construction work in progress) are disclosed in note 37(b).

At 30 June 2014 other receivables and prepayments include retentions of \$5.064 million (2013: \$5.304 million), with provisions raised for the full amount.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**11 Current assets – Assets classified as held for sale**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Property, plant and equipment	1,153	1,153
Inventories	330	330
	<u>1,483</u>	<u>1,483</u>

In the financial year ended 30 June 2013 Sedgman ceased operating at the Blair Athol site. The Group has plans in place to sell the plant, equipment and inventory previously used at this site within the Operations segment. These sales are expected to occur before 30 June 2015. No impairment losses were recognised in reclassifying the assets as held for sale.

**12 Current assets – Current tax assets**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Income tax refunds	1,989	4,158

**13 Current assets – Inventories**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Spare parts and consumables	2,587	4,387

**14 Non-current assets – Investments accounted for using the equity method**

	<b>2014</b> <b>\$'000</b>	2013 \$'000 Restated
Interest in joint venture (note 36(b))	2,060	-
Interests in associates (note 36(c))	527	505
	<u>2,587</u>	<u>505</u>

**15 Non-current assets – Financial assets at fair value through other comprehensive income**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Listed equity securities	626	-
Unlisted equity securities	400	400
	<u>1,026</u>	<u>400</u>

**16 Non-current assets – Financial assets at fair value through profit or loss**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Listed equity securities	35	-
Convertible notes	773	-
	<u>808</u>	<u>-</u>

## Notes to the consolidated financial statements (continued)

For the year ended 30 June 2014

## 17 Non-current assets – Property, plant and equipment

	Land & Buildings \$'000	Plant & Equipment \$'000	Motor vehicles \$'000	Structural improvements \$'000	Leased plant & equipment \$'000	Total \$'000
<b>At 1 July 2012 Restated</b>						
Cost	3,978	99,825	2,930	3,988	10,520	121,241
Accumulated depreciation	(164)	(62,682)	(1,937)	(1,716)	(5,998)	(72,497)
Net book amount	3,814	37,143	993	2,272	4,522	48,744
<b>Year ended 30 June 2013 Restated</b>						
Opening net book amount	3,814	37,143	993	2,272	4,522	48,744
Transfers within property, plant and equipment	-	(1,153)	49	2	1,102	-
Acquisitions through business combinations	-	275	6	151	-	432
Reclassification to assets held for sale	-	(1,153)	-	-	-	(1,153)
Foreign exchange impact	-	91	(10)	-	-	81
Additions	-	4,211	521	526	3,305	8,563
Disposals	-	(191)	(61)	-	-	(252)
Impairment loss ^	-	(6,358)	-	-	-	(6,358)
Depreciation charge	(31)	(10,711)	(778)	(635)	(2,321)	(14,476)
Closing net book amount	3,783	22,154	720	2,316	6,608	35,581
<b>At 30 June 2013 Restated</b>						
Cost	3,978	92,297	2,969	4,667	14,927	118,838
Accumulated depreciation	(195)	(70,143)	(2,249)	(2,351)	(8,319)	(83,257)
Net book amount	3,783	22,154	720	2,316	6,608	35,581
<b>Year ended 30 June 2014</b>						
Opening net book amount	3,783	22,154	720	2,316	6,608	35,581
Transfers within property, plant and equipment	-	903	-	-	(903)	-
Foreign exchange impact	-	(51)	(2)	-	-	(53)
Additions	-	2,153	60	-	-	2,213
Disposals	-	(530)	(16)	-	-	(546)
Depreciation charge	(30)	(9,998)	(348)	(680)	(2,116)	(13,172)
Closing net book amount	3,753	14,631	414	1,636	3,589	24,023
<b>At 30 June 2014</b>						
Cost	3,978	91,945	2,522	4,667	12,462	115,574
Accumulated depreciation	(225)	(77,314)	(2,108)	(3,031)	(8,873)	(91,551)
Net book amount	3,753	14,631	414	1,636	3,589	24,023

^ Refer note 4(b).

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**18 Non-current assets – Deferred tax assets**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Unrealised foreign exchange loss	-	442
Employee benefits	<b>2,775</b>	3,036
Doubtful debts	<b>2,594</b>	2,426
Equity raising costs	-	276
Dismantling provision	<b>350</b>	350
Tax losses	<b>603</b>	20
Property, plant and equipment	-	25
Finance leases	-	504
Construction overclaim	<b>31</b>	1,282
Creditor retention	-	165
Financial assets at fair value through other comprehensive income	<b>161</b>	180
Onerous contract provision	<b>1,100</b>	-
Demobilisation costs	<b>82</b>	82
Sundry	<b>255</b>	467
Total deferred tax assets	<b>7,951</b>	9,255
Set-off of deferred tax liabilities pursuant to set-off provisions (note 25)	<b>(1,080)</b>	(2,778)
Net deferred tax assets	<b>6,871</b>	6,477

All movements in temporary differences other than financial assets at fair value through other comprehensive income are recognised in deferred tax expense. The amount in relation to financial assets at fair value through other comprehensive income is recognised in other comprehensive income.

*Unrecognised deferred tax assets*

Some unused tax losses in current and prior years totalling \$3.121 million (2013: \$0.697 million) have not been recognised in the deferred tax asset balance due to management's view that these may never be utilised and in some instances are restricted by regulatory cessation dates.



**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**19 Non-current assets – Intangible assets**

	<b>Software \$'000</b>	<b>Goodwill \$'000</b>	<b>Brand \$'000</b>	<b>Customer Contracts \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2012</b>					
Cost	10,065	51,304	3,270	21,159	85,798
Accumulated amortisation and impairment charge	(1,773)	(20,000)	(1,994)	(17,701)	(41,468)
Net book amount	8,292	31,304	1,276	3,458	44,330
<b>Year ended 30 June 2013</b>					
Opening net book amount	8,292	31,304	1,276	3,458	44,330
Acquisitions	615	2,710	-	203	3,528
Amortisation for the year	(1,805)	-	(729)	(3,061)	(5,595)
Closing net book amount	7,102	34,014	547	600	42,263
<b>At 30 June 2013</b>					
Cost	10,680	54,014	3,270	21,362	89,326
Accumulated amortisation and impairment charge	(3,578)	(20,000)	(2,723)	(20,762)	(47,063)
Net book amount	7,102	34,014	547	600	42,263
<b>Year ended 30 June 2014</b>					
Opening net book amount	7,102	34,014	547	600	42,263
Acquisitions	145	-	-	-	145
Amortisation for the year	(1,985)	-	(547)	(600)	(3,132)
Closing net book amount	5,262	34,014	-	-	39,276
<b>At 30 June 2014</b>					
Cost	10,825	54,014	3,270	21,362	89,471
Accumulated amortisation and impairment charge	(5,563)	(20,000)	(3,270)	(21,362)	(50,195)
Net book amount	5,262	34,014	-	-	39,276

For the purposes of impairment testing, goodwill is allocated to the Group's operating business units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Sedgman Operations	<b>15,790</b>	15,790
Sedgman Projects	<b>18,224</b>	18,224
	<b>34,014</b>	34,014

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts determined by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.50% (2013: 2.50%). In performing the value-in-use calculations, the Group has applied a post-tax discount rate of 11.9% (equivalent to a pre-tax discount rate of 15.4%) (2013: post-tax discount rate of 10.8% (equivalent to a pre-tax discount rate of 14.2%)). The values assigned to the key assumptions represent management's assessment of future trends in the mining and resources industry and were based on both external and internal sources.

The value-in-use calculations for each unit is most sensitive to the following assumptions:

- Cashflow forecasts used in years 1 to 5;
- Change in discount rates; and
- Long term growth rate.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**19 Non-current assets – Intangible assets (continued)**

A sensitivity analysis was conducted to determine the carrying value of the cash generating units under adverse conditions. There is no impairment from any reasonable change in the assumptions used in the value-in-use calculations.

**20 Current liabilities – Trade and other payables**

	<b>2014</b> <b>\$'000</b>	2013 \$'000 Restated
Trade payables	<b>25,721</b>	14,493
Progress claims in advance (note 40)	<b>9,989</b>	40,839
Other creditors and accruals	<b>19,252</b>	18,070
	<b>54,962</b>	73,402

Trade and other payables are non-interest bearing and are expected to be settled within 12 months.

Information about the Group's exposure to currency and liquidity risk is included in note 37(b).

**21 Current liabilities – Interest bearing liabilities**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Lease liabilities (note 32)	<b>5,660</b>	1,550
Commercial loans (secured)	<b>4,200</b>	4,200
Total current interest-bearing borrowings	<b>9,860</b>	5,750

The Group leases plant and equipment under finance leases expiring within four years (2013: five years). At the end of the lease term, the Group can make an offer to purchase the equipment at the residual prices set in the lease.

In March 2013 Sedgman extended its club banking agreement with the Australia and New Zealand bank ("ANZ") and the National Australia Bank ("NAB"). The agreement expires in March 2016 with separate components of the facility being set as either revolving with a 12 month annual review, or terminating. The outstanding commercial loans are being amortised over the three year term. Loans are secured by a fixed and floating charge over the assets of Sedgman Limited and are subject to an effective interest rate at 30 June 2014 of 4.72% (30 June 2013: 4.94%).

Total financing facilities at reporting date are \$144.135 million (2013: \$145.370 million). Total utilised facilities, comprising of performance guarantees and commercial loans, at reporting date are \$51.338 million (2013: \$57.004 million).

Information about the Group's exposure to interest rate and liquidity risk is included in note 37(b).

**22 Current liabilities – Provisions**

	<b>2014</b> <b>\$'000</b>	2013 \$'000
Employee benefits	<b>8,006</b>	7,198
Dismantling Blair Athol CHPP	<b>1,165</b>	1,165
Dismantling other site costs	<b>209</b>	-
Surplus lease space (note 32(b))	<b>1,449</b>	-
	<b>10,829</b>	8,363

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	<b>Surplus lease space \$'000</b>	<b>Dismantling \$'000</b>	<b>Total \$'000</b>
Carrying amount at start of year	-	1,165	1,165
Charged/(credited) to profit or loss – additional provisions recognised	1,449	209	1,658
Carrying amount at end of year	1,449	1,374	2,823

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**23 Current liabilities – Current tax liabilities**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Income tax payable	<b>2,026</b>	744

**24 Non-current liabilities – Interest bearing liabilities**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Lease liabilities (note 32)	-	5,642
Commercial loans (secured)	<b>11,453</b>	15,597
Total non-current borrowings	<b>11,453</b>	21,239

Refer to note 21 for terms of commercial loans.

**25 Non-current liabilities – Deferred tax liabilities**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>The balance comprises temporary differences attributable to:</b>		
Brands	-	164
Customer relationships	-	119
Land and buildings	<b>766</b>	775
Unrealised foreign exchange gains	<b>113</b>	804
Property, plant and equipment	<b>123</b>	-
Work in progress adjustments	-	120
Sundry	<b>78</b>	796
Total deferred tax liabilities	<b>1,080</b>	2,778
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	<b>(1,080)</b>	(2,778)
Net deferred tax liabilities	-	-

All movements in temporary differences are recognised in deferred tax expense. No amounts have been recognised in equity.

**26 Non-current liabilities – Provisions**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Make good	<b>273</b>	273
Employee benefits	<b>748</b>	2,312
Surplus lease space (note 32(b))	<b>2,217</b>	-
	<b>3,238</b>	2,585

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	<b>Surplus lease space</b>	<b>Make good</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at start of year	-	<b>273</b>	<b>273</b>
Charged/(credited) to profit or loss			
- additional provisions recognised	<b>2,217</b>	-	<b>2,217</b>
Carrying amount at end of year	<b>2,217</b>	<b>273</b>	<b>2,490</b>

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**27 Contributed equity**

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<b>227,059,001</b>	220,368,310	<b>116,212</b>	112,250
	<b>227,059,001</b>	220,368,310	<b>116,212</b>	112,250

**(b) Movements in ordinary share capital:**

Date	Details	Number of shares	\$'000
1 July 2012	Balance	214,292,930	106,377
24 Aug 2012	Long Term Incentive Plan share issues	1,220,000	1,517
20 Sept 2012	Dividend reinvestment plan issues	2,110,867	2,259
28 Nov 2012	Value adjustment on shares <sup>(i)</sup>	-	(592)
21 Mar 2013	Dividend reinvestment plan issues	2,744,513	2,689
		6,075,380	5,873
<b>30 June 2013</b>	<b>Balance</b>	<b>220,368,310</b>	<b>112,250</b>
17 Sept 2013	Dividend reinvestment plan issues	2,856,326	1,981
28 Mar 2014	Dividend reinvestment plan issues	3,834,365	1,981
		6,690,691	3,962
<b>30 June 2014</b>	<b>Balance</b>	<b>227,059,001</b>	<b>116,212</b>

- (i) At the 2011 Annual General Meeting held 28 November 2011, shareholder approval was received for Mr Jukes' (the Company's Chief Executive Officer at the time) remuneration contract which included equity-settled performance rights and the issue of 500,000 shares as a sign on entitlement. The shares in relation to the sign on entitlement were issued 28 February 2012, outside the one month period contemplated by that shareholder approval. Following discussion with the ASX, a lock was applied to the shares until the 2012 Annual General Meeting, at which time shareholder approval was re-sought and granted and the shares were released to Mr Jukes. The value of the shares was adjusted to reflect the closing share price on 28 November 2012, being the date of the 2012 Annual General Meeting.

*Terms and conditions*

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

**28 Nature and purpose of reserves**

*Foreign currency translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as described in note 46(c). The reserve is recognised in profit or loss when the foreign operation is disposed of.

*Equity compensation reserve*

The equity compensation reserve recognises the fair value of performance rights issued as compensation to employees but not exercised.

*Financial assets revaluation reserve*

This reserve recognises changes in the fair value of financial assets included in other comprehensive income.

Refer to consolidated statement of changes in equity for the movement and closing balance of reserve accounts.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**29 Dividends**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>(a) Ordinary shares</b>		
<i>Final fully franked dividend</i>		
Dividend per share \$0.02 (2013: \$0.065) based on tax paid @ 30%	<b>4,407</b>	14,008
<i>Interim fully franked dividend</i>		
Dividend per share \$0.02 (2013: \$0.03) based on tax paid @ 30%	<b>4,465</b>	6,529
Total dividends provided for or paid	<b>8,872</b>	20,537
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2014 and 30 June 2013 were as follows:		
Paid in cash	<b>4,910</b>	15,589
Satisfied by issue of shares	<b>3,962</b>	4,948
	<b>8,872</b>	20,537

After the balance sheet date the following dividend was proposed by the Directors. The dividend has not been provided for. The record date for entitlement to this dividend will be 10 September 2014. The declaration and subsequent payment of dividends has no income tax consequences.

	<b>Cents per share</b>	<b>Franked/unfranked</b>	<b>Date of Payment</b>
Final ordinary	2.0	Franked	24 Sept 14

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

**(b) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2014 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 2014.

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Franking credits available for subsequent financial years based on tax rate of 30% (2013: 30%)	<b>26,085</b>	26,802

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the current tax liabilities
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The ability to utilise the franking credits is dependent upon the ability to declare dividends. In accordance with the tax consolidation legislation, Sedgman Limited as the head entity in the tax-consolidated group has also assumed the benefit of \$26.085 million (2013: \$26.802 million) franking credits.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$1.946 million (2013: \$1.889 million).

### 30 Auditors' remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2014 \$	2013 \$
<b>Audit and review services</b>		
Auditors of the Company - KPMG		
Audit and review of financial statements	485,578	623,599
Other regulatory audit services	25,805	34,055
Audit and review of financial statements	<u>511,383</u>	<u>657,654</u>
Other auditors	12,260	-
Audit and review of financial statements	<u>523,643</u>	<u>657,654</u>
<b>Other services</b>		
Auditors of the Company - KPMG		
In relation to other assurance services, taxation, research and development allowance and other advisory services	645,375	815,230
	<u>645,375</u>	<u>815,230</u>

### 31 Contingencies

#### *Guarantees and Performance Bonds*

Bank guarantees and performance bonds have been given in respect of work in progress contracts and leased premises of the Group amounting to \$32.228 million (2013: \$33.868 million).

### 32 Commitments

#### (a) Capital commitments

There were no capital commitments contracted for at the reporting date but not recognised as liabilities (2013: nil).

#### (b) Lease commitments

##### (i) Operating leases

	2014 \$'000	2013 \$'000 Restated
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	6,304	5,969
Later than one year but not later than five years	8,983	13,142
	<u>15,287</u>	<u>19,111</u>

The Group leases buildings under operating leases expiring within the next 2.5 years (2013: 3.5 years). The leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on Fixed Increase Percentages and the Consumer Price Index.

The operating lease rental expense recognised in the year ended 30 June 2014 was \$5.497 million (2013: \$7.862 million). In addition, in the current year an onerous contract, as defined in note 46(r), relating to surplus lease space was recognised in other expenses increasing costs by \$3.666 million (2013: nil).

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**32 Commitments (continued)**

**(b) Lease commitments (continued)**

*(ii) Finance leases*

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	<b>3,748</b>	2,031
Later than one year but not later than five years	<b>2,414</b>	6,143
Minimum lease payments	<b>6,162</b>	8,174
Less: Future finance charges	<b>(502)</b>	(982)
Total lease liabilities	<b>5,660</b>	7,192
Representing lease liabilities:		
Current (note 21)	<b>5,660</b>	1,550
Non-current (note 24)	<b>-</b>	5,642
	<b>5,660</b>	7,192

The Group leases plant and equipment under finance leases expiring within four years (2013: five years). At the end of the lease term, the Group has the option to purchase the equipment at the residual prices set in the lease.

Due to the financing leases with ANZ and NAB being under annual revolving facilities, all outstanding commitments on these leases are classified as a current liability.

Refer note 36 for commitments relating to joint ventures and associates.

**33 Related party transactions**

**(a) Parent entity**

The parent entity within the Group is Sedgman Limited.

**(b) Directors**

The names of persons who were Directors of the Company at any time during the financial year are as follows: R J Kempnich, P R Watson, N N Jukes, D J Argent, R J McDonald, R R Short, B A Munro, P I Richards and A L Jacobs. All of these persons were also Directors at any time during the year ended 30 June 2013, except for T L Jacobs and P R Watson who were appointed on 3 October 2013 and 26 June 2014 respectively. N N Jukes held office as Director until his resignation on 26 June 2014. B A Munro held office as a Non-Executive Director until his resignation on 31 July 2013.

**(c) Subsidiaries**

Interests in subsidiaries are set out in note 34.

**(d) Key management personnel compensation**

	<b>2014</b>	2013
	<b>\$</b>	\$
Short-term employee benefits	<b>3,456,895</b>	4,323,175
Long-term employee benefits	<b>22,923</b>	6,158
Post-employment benefits	<b>243,884</b>	221,299
Termination benefits	<b>129,964</b>	-
Share-based payments	<b>1,118,928</b>	1,520,761
	<b>4,972,594</b>	6,071,393

Compensation of the Group's key management personnel includes salaries and non-cash benefits. Executive officers also participate in the LTI plan (see note 41).

**(e) Services provided to/from related parties**

During the year ended 30 June 2014 OnTalent Pty Ltd, an associate of Sedgman Limited (refer note 36(c)), provided recruitment services and contractors to the Group for \$2.100 million (2013: \$2.000 million), consistent with OnTalent's normal terms and conditions. At year end, the amount payable to OnTalent Pty Ltd was \$17,485 (2013: nil).

### 33 Related party transactions (continued)

#### (e) Services provided to/from related parties (continued)

During the year ended 30 June 2014, Russell Todd from Jukes Todd & Associates, an entity over which the former Managing Director of Sedgman Limited had control, provided consulting services with respect to a dispute on a Projects contract for \$60,588 (2013: Nil).

During the year ended 30 June 2013 Yeats Consulting Pty Ltd, a wholly owned subsidiary of Sedgman Limited, provided consulting services to Amode for \$155,789. (Refer note 33(f) for significant influence details). No services were performed in the year ended 30 June 2014.

These transactions were at arm's length.

#### (f) Loans provided to/from related parties

During the year ended 30 June 2013 Sedgman Limited provided a long term non-interest bearing loan to Amode Pty Ltd ("Amode") for \$561,000, an entity over which the former Managing Director of Sedgman, and the Group, had significant influence. This loan was unsecured. Sedgman sold its interest in Amode in April 2013 at which time Amode repaid the loan to Sedgman. Over the period these transactions occurred, the former Managing Director and the Group had significant influence over Amode.

#### (g) GSJV SCC

During the year ended 30 June 2014 the Group provided engineering consulting services to the GSJV SCC a joint arrangement of the Group (refer note 36(b)) for \$9.698 million (2013: nil). These services were provided under the Group's normal terms and conditions. At year end the amount receivable from GSJV SCC was \$1.071 million (2013: nil). Refer to note 36(b) for relationship details.

#### (h) Thiess Sedgman Joint Venture ("TSJV")

During the year ended 30 June 2014 the Group provided engineering consulting services to the TSJV a joint operation of the Group (refer note 36(a)) for \$4.691 million (2013: \$7.275 million). These services were provided under the Group's normal terms and conditions. At year end the amount receivable from TSJV was \$0.283 million (2013: \$6.741 million). Refer to note 36(a) for relationship details.

### 34 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 46(a):

Name of entity	Country of incorporation	Class of shares	Equity Holding	
			2014 %	2013 %
<i>Parent entity</i>				
Sedgman Limited	Australia			
<i>Controlled entities</i>				
Sedgman Asia Ltd	Hong Kong	Ordinary	100	100
Sedgman Botswana (Pty) Ltd	Botswana	Ordinary	100	100
Sedgman Engineering Technology (Beijing) Co Ltd	China	Ordinary	100	100
Sedgman Employment Services Pty Ltd	Australia	Ordinary	100	100
Sedgman International Employment Services Pty Ltd	Australia	Ordinary	100	100
Sedgman LLC	Mongolia	Ordinary	100	100
Sedgman Malaysia Sdn Bd	Malaysia	Ordinary	100	100
Sedgman Mozambique Limitada	Mozambique	Ordinary	100	100
Sedgman S.A.	Chile	Ordinary	99	99
Sedgman S.A.S.	Colombia	Ordinary	100	100
Sedgman South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Sedgman Operations Employment Services Pty Ltd	Australia	Ordinary	100	100
Sedgman Operations Pty Ltd	Australia	Ordinary	100	100
Contrelec Engineering Pty Ltd	Australia	Ordinary	100	100
Intermet Engineering Pty Ltd	Australia	Ordinary	100	100
Tambala Pty Ltd	Mauritius	Ordinary	100	100
Yeats Consulting Unit Trust	Australia	Ordinary	100	100
Yeats Consulting Pty Ltd	Australia	Ordinary	100	100
Sedgman South Africa Investments Limited	British Virgin Islands	Ordinary	100	100
Sedgman Canada Limited	Canada	Ordinary	100	100



**34 Subsidiaries (continued)**

GSJV SCC (previously named GSJV Limited) was a 100% owned subsidiary of the Group from 20 November 2013 up to the execution of the shareholders' agreement with GyM Operaciones Internacionales Sociedad Anonima Cerrada on 31 May 2014, refer note 36(b) for current arrangements. This change in ownership did not give rise to a gain or a loss.

Refer to note 9 for regulatory restrictions in relation to Sedgman Engineering Technology (Beijing) Co Ltd and Sedgman Mozambique Limitada.

**35 Deed of cross guarantee**

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

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries 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 subsidiaries subject to the Deed are:

- Contrelec Engineering Pty Ltd
- Internet Engineering Pty Ltd
- Sedgman Operations Employment Services Pty Ltd
- Sedgman Operations Pty Ltd
- Sedgman International Employment Services Pty Ltd

A consolidated statement of profit or loss and other comprehensive income and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2014 is set out as follows:

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**35 Deed of cross guarantee (continued)**

**(a) Consolidated statement of profit or loss and other comprehensive income and retained earnings**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
Revenue from services	<b>303,357</b>	436,392
Other income	<b>3,617</b>	5,437
Dividends received	<b>-</b>	2,343
	<b>306,974</b>	444,172
Changes in construction work in progress	<b>25,845</b>	(27,262)
Raw materials and consumables used	<b>(196,038)</b>	(229,482)
Depreciation and amortisation expense	<b>(15,538)</b>	(18,654)
Employee expenses	<b>(78,127)</b>	(108,470)
Agency contract fees	<b>(5,590)</b>	(7,857)
Impairment of property, plant and equipment	<b>-</b>	(6,358)
Impairment of receivables	<b>(3,082)</b>	(593)
Other expenses	<b>(25,378)</b>	(24,523)
Finance costs	<b>(2,660)</b>	(2,892)
	<b>(300,568)</b>	(426,091)
Share of net profits/(losses) of investments accounted for using the equity method	<b>1,019</b>	(45)
<b>(Loss)/profit before income tax</b>	<b>7,425</b>	18,036
Income tax expense	<b>(3,053)</b>	(3,988)
<b>(Loss)/profit after tax</b>	<b>4,372</b>	14,048
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair value of financial assets (net of tax)	<b>43</b>	(420)
<b>Other comprehensive income for the year, net of tax</b>	<b>43</b>	(420)
<b>Total comprehensive income for the year, net of tax</b>	<b>4,415</b>	13,628
<b>Retained earnings at the beginning of the financial year</b>	<b>34,982</b>	41,471
(Loss)/profit for the year	<b>4,372</b>	14,048
Dividends recognised during the year	<b>(8,872)</b>	(20,537)
<b>Retained earnings at end of year</b>	<b>30,482</b>	34,982

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**35 Deed of cross guarantee (continued)**

**(b) Consolidated balance sheet**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	79,948	74,353
Trade and other receivables	79,917	86,511
Assets classified as held for sale	1,483	1,483
Current tax assets	-	34
Inventories	2,587	4,387
Total current assets	<u>163,935</u>	<u>166,768</u>
<b>Non-current assets</b>		
Trade and other receivables	6,925	4,440
Investments accounted for using the equity method	2,587	505
Investments in controlled entities	7,721	7,721
Financial assets at fair value through other comprehensive income	1,026	400
Financial assets at fair value through profit or loss	789	-
Property, plant and equipment	22,963	33,944
Deferred tax assets	5,013	4,242
Intangible assets	36,565	39,553
Total non-current assets	<u>83,589</u>	<u>90,805</u>
<b>Total assets</b>	<u>247,524</u>	<u>257,573</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	52,926	61,287
Interest bearing liabilities	9,842	5,750
Provisions	8,725	5,800
Current tax liabilities	1,800	-
Total current liabilities	<u>73,293</u>	<u>72,837</u>
<b>Non-current liabilities</b>		
Trade and other payables	1,280	2,057
Interest bearing liabilities	11,453	21,239
Provisions	3,238	2,585
Other	226	250
Total non-current liabilities	<u>16,197</u>	<u>26,131</u>
<b>Total liabilities</b>	<u>89,490</u>	<u>98,968</u>
<b>Net assets</b>	<u>158,034</u>	<u>158,605</u>
<b>EQUITY</b>		
Contributed equity	116,212	112,250
Reserves	11,340	11,373
Retained profits	30,482	34,982
Parent entity interest	<u>158,034</u>	<u>158,605</u>

**36 Interests in joint arrangements and associates**

**(a) Interest in joint operation**

Name and principal activity	Ownership interest	
	2014	2013
Thiess Sedgman Joint Venture ("TSJV") 179 Grey Street South Bank QLD 4101 Australia	50%	50%

The TSJV delivers the design, construction and commissioning of coal handling and preparation plants, minerals processing plants and other related equipment. The purpose of Sedgman's involvement with the TSJV is to provide growth opportunities and increase access to integrated engineering and operations solutions.

**(b) Interest in joint venture**

During the year ended 30 June 2014 Sedgman entered into a joint venture to deliver a mineral processing plant and related infrastructure in Guyana with GyM Operaciones Internacionales Sociedad Anonima Cerrada.

The joint venture entity GSJV Limited was incorporated in Barbados on 20 November 2013. The name of the entity was changed on 17 March 2014 to GSJV SCC. The principal place of business is Erin Court, Bishop's Court Hill, St. Michael, Barbados.

GSJV SCC is structured as a separate vehicle and the Group has a 50% interest in the net assets of GSJV SCC. All decisions of the shareholders in GSJV SCC require, and may only be passed by, the unanimous resolution of all shareholders. Accordingly, the Group has classified its interest in GSJV SCC as a joint venture, which is equity accounted. In accordance with the agreement under which GSJV SCC was established and will be operated, Sedgman has contributed US\$1 million and has agreed to make additional contributions in proportion to its interest to make up any losses, if required. This commitment has not been recognised in these consolidated financial statements.

The Group has no other commitments or contingencies as at 30 June 2014 (2013: n/a) in relation to its interest in the GSJV SCC joint venture.

The following table summarises the financial information of GSJV SCC (based on the financial statements prepared in accordance with Australian Accounting Standards) and reconciles this with the carrying amount of the Group's interest in GSJV SCC.

	2014 \$'000	2013 \$'000
<b>GSJV SCC assets and liabilities (100%)</b>		
Current assets*	29,838	-
Non-current assets	-	-
Total assets	29,838	-
Current liabilities	25,718	-
Non-current liabilities	-	-
Total liabilities	25,718	-
Net assets/(liabilities)	4,120	-
<b>Group's share (being 50%) of net assets</b>	2,060	-
<b>Included in the balance sheet as investments accounted for using the equity method</b>	2,060	-
<b>GSJV SCC revenue, expenses and results (100%)</b>		
Revenue	35,469	-
Expenses	(33,475)	-
Net profit/(loss) after income tax	1,994	-
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the period</b>	1,994	-
<b>Group's share (being 50%) of net profit/(loss) after income tax</b>	997	-

\* Included in GSJV SCC's current assets is a cash balance of \$15.244 million (2013: nil).

No dividends have been received by the Group from the joint venture during the year ended 30 June 2014 (2013: n/a).

**36 Interests in joint arrangements and associates (continued)**

**(c) Interest in associates**

On 1 July 2012 Sedgman acquired 33% in OnTalent Pty Ltd for \$549,540. The Group retains a 33% interest in OnTalent Pty Ltd at 30 June 2014.

On 7 December 2012, Sedgman acquired a 33% in Amode Pty Ltd ("Amode") for \$4,000. Subsequent to this Sedgman increased its investment in Amode to 39% for a cash contribution of \$250,000. On 23 April 2013 Sedgman sold its investment in Amode for a value equal to its combined investment, being \$254,000 and accordingly there was no gain or loss on disposal.

<b>Movements in carrying amounts</b>	<b>2014</b> <b>\$'000</b>	2013 \$'000
Carrying amount at the beginning of the financial year	<b>505</b>	-
Acquisition of interests in associates	-	804
Share of profits/(losses) from continuing operations	<b>22</b>	(45)
Proceeds from sale of investments in associate	-	(254)
	<b>527</b>	505

**37 Financial instruments**

**(a) Financial instruments classifications and fair values**

The fair value of financial assets and liabilities and their levels in the fair value hierarchy, together with the carrying amounts shown in the consolidated balance sheet, are set out below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The fair value levels have been defined in note 4(b).

	<b>2014</b>		<b>2013</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents <sup>#</sup>	<b>97,789</b>		103,354	
Trade and other receivables <sup>#</sup>	<b>77,518</b>		91,772	
Financial assets at fair value through other comprehensive income <sup>*</sup>	<b>1,026</b>	<b>1,026</b>	400	400
Financial assets at fair value through profit or loss <sup>^</sup>	<b>808</b>	<b>808</b>	-	
Total financial assets	<b>177,141</b>		195,526	
<b>Financial liabilities <sup>#</sup></b>				
Trade and other payables	<b>54,962</b>		73,402	
Interest bearing liabilities	<b>21,313</b>		26,989	
Total financial liabilities	<b>76,275</b>		100,391	

<sup>\*</sup> Financial assets at fair value through other comprehensive income includes an asset deemed Level 3 in the fair value hierarchy of \$0.400 million (30 June 2013: \$0.400 million). All other items are deemed Level 1.

<sup>^</sup> Financial assets at fair value through profit or loss includes assets deemed Level 3 in the fair value hierarchy of \$0.773 million (30 June 2013: Nil). All other items are deemed Level 1.

<sup>#</sup> The Group has not disclosed the fair values for cash and cash equivalents, trade and other receivables and financial liabilities as their carrying amounts are a reasonable approximation of fair values.

**(i) Valuation techniques**

Level 2: The Group does not hold any Level 2 class financial assets.

Level 3: Inputs are based on either management's best estimates and using a discounted cash flows methodology or management's best estimate in conjunction with independent market valuation.

**37 Financial instruments (continued)**

**(a) Financial instruments classifications and fair values (continued)**

*(ii) Level 3 fair values*

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	<b>Designated at fair value</b>	
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Balance at beginning of period	<b>400</b>	1,000
Payments for convertible notes	<b>750</b>	-
Total unrealised gains/(losses) for the period included in profit or loss	<b>23</b>	-
Total unrealised gains/(losses) for the period included in other comprehensive income	<b>-</b>	(600)
Balance at 30 June	<b>1,173</b>	400

**(b) Financial risk management**

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

- Market risk (see (b)(ii))
- Credit risk (see (b)(iii))
- Liquidity risk (see (b)(iv))

*(i) Risk management framework and capital management*

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a Risk Management system within the Corporate group, which is responsible for developing and monitoring the Group's risk management policies. This Corporate group reports to the Audit and Risk Management Committee and the Board throughout the year on its activities.

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

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to sustain future development of the business and reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes in the Group's approach to capital management during the year.

*(ii) Market risk*

*Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD). The amounts below represent the AUD equivalent of USD cash held, or receivable or payable in USD, in entities within the Group whose functional currency is not USD.

**37 Financial instruments (continued)**

**(b) Financial risk management (continued)**

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Financial Assets</b>		
Cash and cash equivalent assets	<b>10,998</b>	22,933
Trade and other receivables	<b>1,164</b>	3,038
	<b>12,162</b>	25,971
<b>Financial Liabilities</b>		
Trade and other payables	<b>927</b>	16
	<b>927</b>	16
<b>Net Exposure</b>	<b>11,235</b>	25,955

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. This analysis is performed on the same basis for 2013.

With all other variables held constant, the below table illustrates how post tax profit and equity for the Group would have been affected had the Australian dollar moved against the USD:

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Impact on post-tax profit:</b>		
+10% AUD / USD	<b>(757)</b>	(1,652)
-10% AUD / USD	<b>926</b>	2,019
<b>Impact on equity:</b>		
+10% AUD / USD	<b>(757)</b>	(1,652)
-10% AUD / USD	<b>926</b>	2,019

The Group regularly monitors the level of its foreign currency exposure and where appropriate, considers the use of foreign exchange contracts to manage significant exposures. There were no foreign exchange contracts entered at 30 June 2014 (2013: nil).

*Interest rate risk*

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At 30 June 2013 and 30 June 2014, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
		Restated
<b>Financial Assets</b>		
Cash and cash equivalents assets	<b>97,773</b>	103,325
	<b>97,773</b>	103,325
<b>Financial Liabilities</b>		
Commercial loans	<b>15,750</b>	19,950
	<b>15,750</b>	19,950
<b>Net Exposure</b>	<b>82,023</b>	83,375

**37 Financial instruments (continued)**

**(b) Financial risk management (continued)**

The other financial instruments of the Group not included in the above table are not subject to cash flow variable interest rate risk.

The Group regularly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative positions and the mix of fixed and variable interest rates. The Group does not use derivative financial instruments to manage its interest rate exposure.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. This analysis is performed on the same basis for 2013.

	<b>2014</b> <b>\$'000</b>	2013 \$'000 Restated
<b>Impact on post-tax profit:</b>		
+1% (100 basis points)	<b>574</b>	582
-1% (100 basis points)	<b>(574)</b>	(582)
<b>Impact on equity:</b>		
+1% (100 basis points)	<b>574</b>	582
-1% (100 basis points)	<b>(574)</b>	(582)

*(iii) Credit risk*

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. The Group also has a policy in place to ensure that surplus cash is invested with financial institutions of appropriate credit worthiness.

The Group manages its credit risk by maintaining strong relationships with a broad range of clients. The Group's trade and other receivables relate mainly to participants in the resources industry. At the balance sheet date, there were six customers which represented 43% (2013: six customers which represented 61%) of the Group's trade receivables.

There were no other significant concentrations of credit risk. During the year, there were no significant changes in the credit terms of any customers. The maximum exposure to credit risk is represented by the carrying amount of financial assets of the Group, excluding investments, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been recognised on the balance sheet.

Receivables balances are monitored on an ongoing basis and impairments have been recognised where the Group has considered customers to be financially constrained and/or in accordance with agreed commercial settlements on completed projects. Through this review the Group limits its exposure to bad debts. For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The ageing of the Group's trade receivables at the reporting date was:

	<b>Gross</b> <b>2014</b> <b>\$'000</b>	<b>Impairment</b> <b>2014</b> <b>\$'000</b>	Gross 2013 \$'000 Restated	Impairment 2013 \$'000
Not past due	<b>43,850</b>	-	50,813	-
Past due 0-30 days	<b>14,597</b>	-	12,893	-
Past due 31-60 days	<b>2,069</b>	-	3,439	-
More than 61 days	<b>11,092</b>	<b>10,020</b>	11,998	7,121
	<b>71,608</b>	<b>10,020</b>	79,143	7,121



**37 Financial instruments (continued)**

**(b) Financial risk management (continued)**

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

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Balance at 1 July	<b>7,121</b>	5,759
Impairment loss recognised / (reversed)	<b>5,784</b>	2,381
Amounts written off	<b>(2,441)</b>	(1,019)
Impact of movement in foreign exchange	<b>(444)</b>	-
Balance at 30 June	<b>10,020</b>	7,121

There were no impairment losses recognised in relation to the Group's other receivables at 30 June 2014 (2013: \$5.220 million). However, the current year included a favourable foreign exchange movement of \$0.156 million in relation to the prior year impairment allowance of \$5.220 million which remains at 30 June 2014 (balance at year end of \$5.064 million).

The total impairment allowances held against the Group's trade and other receivables at 30 June 2014 was \$15.084 million (2013: \$12.341 million).

*(iv) Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group maintains sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet liabilities as they fall due.

The following are the contractual maturities of financial liabilities:

	<b>Carrying Value \$'000</b>	<b>Contractual Cash Flows \$'000</b>	<b>Less than 1 year \$'000</b>	<b>1 to 2 years \$'000</b>	<b>2 to 5 years \$'000</b>	<b>More than 5 years \$'000</b>
<b>Year ended 30 June 2014</b>						
<b>Financial liabilities</b>						
Trade and other payables	54,962	54,962	54,962	-	-	-
Lease liabilities	5,660	6,162	3,748	662	1,752	-
Commercial loans	15,750	16,748	4,848	11,900	-	-
	<b>76,372</b>	<b>77,872</b>	<b>63,558</b>	<b>12,562</b>	<b>1,752</b>	<b>-</b>
<b>Year ended 30 June 2013</b>						
<b>Restated</b>						
<b>Financial liabilities</b>						
<b>Restated</b>						
Trade and other payables	73,402	73,402	73,402	-	-	-
Lease liabilities	7,192	8,174	2,031	3,729	2,414	-
Commercial loans	19,950	21,804	5,056	4,848	11,900	-
	<b>100,544</b>	<b>103,380</b>	<b>80,489</b>	<b>8,577</b>	<b>14,314</b>	<b>-</b>

As disclosed in note 21, the Group has a secured bank facility which contains debt covenants. If a breach of covenants were to occur, this may require the Group to repay the loan earlier than indicated in the above table. Except for this financial liability, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**38 Reconciliation of (loss)/profit to net cash from operating activities**

	2014 \$'000	2013 \$'000 Restated
(Loss)/profit for the year	(7,693)	9,428
Depreciation and amortisation	16,304	20,071
Impairment of plant and equipment	-	6,358
Impairment of receivables	5,784	7,601
Employee performance rights	(73)	2,470
Net (gain) loss on sale of non-current assets	175	(354)
Net (gain) loss on financial assets at fair value through profit or loss	(23)	-
Share of (profits)/losses of investments accounted for using the equity method	(1,019)	45
Net unrealised foreign exchange differences	(747)	(3,007)
Increase/(decrease) in trade and other creditors	12,410	(73,592)
Increase/(decrease) in current tax liabilities	1,282	(15,214)
Increase/(decrease) in provision for employee entitlements	(756)	109
Increase/(decrease) in provision for dismantling	209	-
Increase/(decrease) in provision for onerous contract	3,666	-
Decrease/(increase) in current tax assets	2,169	(4,158)
Decrease/(increase) in deferred tax assets	(394)	2,688
Decrease/(increase) in trade and other receivables	4,998	45,986
Decrease/(increase) in work in progress	(27,378)	34,540
Decrease/(increase) in inventories	1,800	2,477
Sundry	64	671
Net cash (outflow) inflow from operating activities	<u>10,778</u>	<u>36,119</u>

**39 Earnings per share**

	2014 Cents	2013 Cents
<b>(a) Basic earnings per share</b>		
Basic earnings per share	(3.4)	4.3
	<u>(3.4)</u>	<u>4.3</u>
<b>(b) Diluted earnings per share</b>		
Diluted earnings per share	(3.4)	4.3
	<u>(3.4)</u>	<u>4.3</u>
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	2014 \$'000	2013 \$'000
<i>Basic earnings per share</i>		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(7,693)	9,428
<i>Diluted earnings per share</i>		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>(7,693)</u>	<u>9,428</u>

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**39 Earnings per share (continued)**

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

	2014 Number	2013 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>		
Issued ordinary shares as at 1 July	220,368,310	214,292,930
Effect of dividend reinvestment plan	3,243,918	2,409,388
Effect of Long Term Incentive Plan share issues	-	608,329
<i>Weighted average number of ordinary shares as at 30 June</i>	<u>223,612,228</u>	<u>217,310,647</u>
Effect of performance rights	-	-
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>223,612,228</u>	<u>217,310,647</u>

Performance rights of 4,892,847 (2013: 5,841,836) were not included in the weighted average number of ordinary shares for the diluted earnings per share calculation because they were anti-dilutive.

**40 Progress claims in advance**

	2014 \$'000	2013 \$'000 Restated
<i>Construction work in progress comprises:</i>		
Contract costs and net profits to date	302,371	794,540
Less: Progress billings	(305,697)	(825,244)
Net construction work in progress	<u>(3,326)</u>	<u>(30,704)</u>
<i>Net construction work in progress comprises:</i>		
Amounts due from customers – trade and other receivables (note 10)	6,663	10,135
Amounts due to customers – trade and other payables (note 20)	(9,989)	(40,839)
	<u>(3,326)</u>	<u>(30,704)</u>

**41 Share-based payment arrangements**

**(a) Employee Share Scheme (equity-settled)**

This scheme did not operate for the 2014 or 2013 financial years.

**(b) Long Term Incentive (LTI) Plan (equity-settled)**

Performance rights were granted to executive and senior management roles for no consideration during the 2014 financial year following the approval of the LTI Plan by shareholders at the Company's Annual General Meeting on 28 November 2012.

Tranche	Performance measurement period	Vesting date	Expected Life <sup>(i)</sup>	Risk free rate
5	1 July 2013 to 30 June 2016	August 2016 <sup>(ii)</sup>	3.15 years	3.08% – 4.35%

(i) Expected life taken from 1 July 2013.

(ii) Actual vesting date will be the date the financial results are released to the market.

There were no performance rights issued under the LTI plan (Tranche 4) during the 2013 financial year.

In relation to performance rights issued in previous years, for the remaining tranche the following vesting profile is in place:

Tranche	Performance measurement period	Vesting date	Expected Life <sup>(i)</sup>	Risk free rate
3	1 July 2011 to 30 June 2014	28 August 2014	1.15 years	3.08% – 4.35%

(i) Expected life taken from 1 July 2013.

**41 Share-based payment arrangements (continued)**

**(b) Long Term Incentive ("LTI") Plan (equity-settled) (continued)**

The performance rights are issued to employees for no consideration and are subject to the employee's continuing employment and lapse upon resignation, redundancy or termination (unless certain circumstances such as death or disability where vesting is at the discretion of the Board) or failure to achieve the specified performance vesting condition. The performance rights will immediately vest and become exercisable if in the Board's opinion a vesting event occurs (as defined in the plan rules) such as a takeover bid or winding up of the Company. If the performance rights vest and are exercised the employee receives ordinary shares of the Company for no consideration.

The performance vesting condition for performance rights issued is relative to Total Shareholder Return ("TSR"). At the end of each tranche's performance measurement period, the Board will rank the Company's TSR against a peer group that currently comprises 15 other companies for tranches 2 and 3 and 19 other companies for tranche 5 considered by the Board to be peers or competitors of the Company.

The percentage of performance rights in each respective tranche that will vest and become exercisable will depend upon the Company's TSR performance relative to the companies in the peer group (as determined by the Board) as set out in the table below:

<b>Sedgman TSR ranking (at end of performance measurement period)</b>	<b>Percentage of performance rights in relevant tranche that vest</b>
1-5	100%
6	90%
7	80%
8	70%
9	60%
10	50%
11-20	0%

With respect of Tranche 2 and 3, the original peer group included 20 companies, including Sedgman Limited. The peer group now comprises 16 companies, as 4 companies were removed from the official list of ASX Limited. These included the following companies:

NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Austin Engineering Ltd; Boart Longyear Limited; Worley Parsons Ltd; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; and AJ Lucas Group Limited.

With respect to performance rights granted under Tranche 5 the peer group includes the following 20 companies:

NRW Holdings Limited; WDS Limited; RCR Tomlinson Ltd; Lycopodium Limited; Ausenco Limited; Monadelphous Group Limited; Mineral Resources Limited; Cardno Limited; Worley Parsons Limited; Downer EDI Limited; MacMahon Holdings Limited; Leighton Holdings Limited; Coffey International Limited; Decmil Group Limited; GR Engineering Services Limited; Calibre Group Holdings Limited; MACA Limited; UGL Limited and Southern Cross Electrical Engineering Limited.

The Board have also nominated an additional five suitable replacement companies ("the reserve group"). Where a company in the peer group is delisted, merges or ceases to be suitable for comparative purposes, it will, subject to the Board's discretion, be replaced by a company from the reserve group. The peer group and reserve group may be varied from time to time by the Board in its absolute discretion. During the year Clough Limited and Forge Group Limited were delisted and replaced with UGL Limited and Southern Cross Electrical Engineering Limited respectively. In addition, one of the reserve group companies, Norfolk Group Limited, was taken over by RCR Tomlinson Ltd. The remaining reserve group comprises:

VDM Group Limited and Resource Development Group Limited.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**41 Share-based payment arrangements (continued)**

**(b) Long Term Incentive ("LTI") Plan (equity-settled) (continued)**

The fair value of services received in return for performance rights granted is based on the fair value of the rights granted measured using a Monte Carlo model. A summary of performance rights granted to Executives and other participants inputs used to determine the fair value of performance rights granted are as follows:

Grant Date	Fair value at grant date	Share price at date of grant	Expected volatility <sup>(i)</sup>	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Balance at the end of year Number <sup>(ii)</sup>
<b>2014</b>									
Tranche 2									
22 Feb 10	\$0.860	\$1.410	50%	4.96%	865,517	-	(865,517)	-	-
28 Jul 10	\$1.018	\$1.550	45%	4.19%	250,000	-	(250,000)	-	-
24 Nov 10	\$1.394	\$1.980	45%	3.29%	250,000	-	(250,000)	-	-
01 Jan 11	\$1.665	\$2.280	45%	2.85%	25,000	-	(25,000)	-	-
27 Oct 11	\$1.356	\$1.945	45%	3.34%	57,580	-	(57,580)	-	-
28 Oct 11	\$1.429	\$1.970	45%	3.30%	81,451	-	(81,451)	-	-
31 Oct 11	\$1.437	\$1.960	45%	3.32%	378,746	-	(378,746)	-	-
28 Nov 11	\$1.525	\$2.000	45%	3.25%	1,000,000	-	(1,000,000)	-	-
1 Dec 11	\$1.490	\$2.000	45%	3.25%	-	-	-	-	-
16 Mar 12	\$1.569	\$2.310	45%	2.81%	40,725	-	(40,725)	-	-
					2,949,019	-	(2,949,019)	-	-
Tranche 3									
22 Feb 10	\$0.830	\$1.410	50%	4.96%	835,991	-	(58,034)	-	777,957
28 Jul 10	\$0.952	\$1.550	45%	4.19%	250,000	-	-	-	250,000
24 Nov 10	\$1.285	\$1.980	45%	3.29%	250,000	-	-	-	250,000
01 Jan 11	\$1.480	\$2.280	45%	2.85%	25,000	-	-	-	25,000
27 Oct 11	\$1.239	\$1.945	45%	3.34%	55,951	-	(15,475)	-	40,476
28 Oct 11	\$1.290	\$1.970	45%	3.30%	77,378	-	(15,476)	-	61,902
31 Oct 11	\$1.284	\$1.960	45%	3.32%	359,808	-	(50,296)	-	309,512
28 Nov 11	\$1.364	\$2.000	45%	3.25%	1,000,000	-	(1,000,000)	-	-
1 Dec 11	\$1.336	\$2.000	45%	3.25%	-	-	-	-	-
16 Mar 12	\$1.514	\$2.310	45%	2.81%	38,689	-	(38,689)	-	-
					2,892,817	-	(1,177,970)	-	1,714,847
Tranche 5									
21 Nov 13	\$0.425	\$0.670	55%	4.50%	-	4,458,000	(1,280,000)	-	3,178,000
					-	4,458,000	(1,280,000)	-	3,178,000
<b>Total</b>					<b>5,841,836</b>	<b>4,458,000</b>	<b>(5,406,989)</b>	<b>-</b>	<b>4,892,847</b>

- (i) Volatility has been determined by an independent expert reviewing Sedgman's share price volatility over the last four years from grant date with respect to moving average periods of 90 days, 120 days, 1 year, 2 years and 3 years.
- (ii) No performance rights were exercisable at 30 June 2014.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**41 Share-based payment arrangements (continued)**

**(b) Long Term Incentive ("LTI") Plan (equity-settled) (continued)**

Grant Date	Fair value at grant date	Share price at date of grant	Expected volatility <sup>(i)</sup>	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested and exercised during the year Number	Balance at the end of year Number <sup>(ii)</sup>
<b>2013</b>									
Tranche 1									
22 Feb 10	\$0.860	\$1.410	50%	4.96%	939,466	-	(469,733)	(469,733)	-
24 Nov 10	\$1.463	\$1.980	45%	3.29%	125,000	-	(62,500)	(62,500)	-
01 Jan 11	\$1.782	\$2.280	45%	2.85%	25,000	-	(12,500)	(12,500)	-
08 Jan 11	\$1.617	\$2.080	45%	3.13%	50,000	-	(25,000)	(25,000)	-
27 Oct 11	\$1.632	\$1.945	45%	3.34%	59,295	-	(29,647)	(29,648)	-
28 Oct 11	\$1.668	\$1.970	45%	3.30%	85,738	-	(42,869)	(42,869)	-
31 Oct 11	\$1.687	\$1.960	45%	3.32%	471,516	-	(235,758)	(235,758)	-
28 Nov 11	\$1.767	\$2.000	45%	3.25%	500,000	-	(250,000)	(250,000)	-
					2,256,015	-	(1,128,007)	(1,128,008)	-
Tranche 2									
22 Feb 10	\$0.860	\$1.410	50%	4.96%	1,169,144	-	(303,627)	-	865,517
28 Jul 10	\$1.018	\$1.550	45%	4.19%	250,000	-	-	-	250,000
24 Nov 10	\$1.394	\$1.980	45%	3.29%	250,000	-	-	-	250,000
01 Jan 11	\$1.665	\$2.280	45%	2.85%	25,000	-	-	-	25,000
27 Oct 11	\$1.356	\$1.945	45%	3.34%	57,580	-	-	-	57,580
28 Oct 11	\$1.429	\$1.970	45%	3.30%	81,451	-	-	-	81,451
31 Oct 11	\$1.437	\$1.960	45%	3.32%	427,616	-	(48,870)	-	378,746
28 Nov 11	\$1.525	\$2.000	45%	3.25%	1,000,000	-	-	-	1,000,000
1 Dec 11	\$1.490	\$2.000	45%	3.25%	-	-	-	-	-
16 Mar 12	\$1.569	\$2.310	45%	2.81%	40,725	-	-	-	40,725
					3,301,516	-	(352,497)	-	2,949,019
Tranche 3									
22 Feb 10	\$0.830	\$1.410	50%	4.96%	1,129,436	-	(293,445)	-	835,991
28 Jul 10	\$0.952	\$1.550	45%	4.19%	250,000	-	-	-	250,000
24 Nov 10	\$1.285	\$1.980	45%	3.29%	250,000	-	-	-	250,000
01 Jan 11	\$1.480	\$2.280	45%	2.85%	25,000	-	-	-	25,000
27 Oct 11	\$1.239	\$1.945	45%	3.34%	55,951	-	-	-	55,951
28 Oct 11	\$1.290	\$1.970	45%	3.30%	77,378	-	-	-	77,378
31 Oct 11	\$1.284	\$1.960	45%	3.32%	406,235	-	(46,427)	-	359,808
28 Nov 11	\$1.364	\$2.000	45%	3.25%	1,000,000	-	-	-	1,000,000
1 Dec 11	\$1.336	\$2.000	45%	3.25%	-	-	-	-	-
16 Mar 12	\$1.514	\$2.310	45%	2.81%	38,689	-	-	-	38,689
					3,232,689	-	(339,872)	-	2,892,817
<b>Total</b>					<b>8,790,220</b>	<b>-</b>	<b>(1,820,376)</b>	<b>(1,128,008)</b>	<b>5,841,836</b>

- (i) Volatility has been determined by an independent expert reviewing Sedgman's share price volatility over the last four years from grant date with respect to moving average periods of 90 days, 120 days, 1 year, 2 years and 3 years.  
(ii) No performance rights were exercisable at 30 June 2013.

**(c) Long Term Incentive ("LTI") Plan (cash-settled)**

The conditions of the performance rights granted for four overseas staff were modified as at 30 June 2012 so that they can only be settled in cash. All other conditions remain unchanged as per the governing LTI plan. At the date of settlement they will receive an amount of cash equal to the value of the shares they would have been entitled to assuming all terms and conditions are met. Three overseas staff were issued cash-settled performance rights in the year ended 30 June 2014 (Tranche 5).

No cash-settled performance rights were issued in the year ended 30 June 2013.

**41 Share-based payment arrangements (continued)**

**(c) Long Term Incentive ("LTI") Plan (cash-settled) (continued)**

A summary of the movement in cash-settled performance rights for executives and other participants are as follows:

Tranche	Fair value at modification / grant date	Share price at date of modification / grant date	Expected volatility <sup>(i)</sup>	Dividend yield	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Vested during the year Number	Balance at the end of year Number <sup>(ii)</sup>
<b>2014</b>									
Tranche 2	\$0.527	\$1.39	45%	4.68%	250,000	-	(250,000)	-	-
Tranche 3	\$0.539	\$1.39	45%	4.68%	250,000	-	-	-	250,000
Tranche 5	\$0.425	\$0.67	55%	4.50%	-	538,000	-	-	538,000
<b>Total</b>					<b>500,000</b>	<b>538,000</b>	<b>(250,000)</b>	<b>-</b>	<b>788,000</b>

(i) Volatility has been determined by an independent expert reviewing Sedgman's share price volatility over the last four years from the last reporting period with respect to moving average periods of 90 days, 120 days, 1 year, 2 years and 3 years.

(ii) No performance rights were exercisable at 30 June 2014.

Tranche	Fair value at modification date	Share price at date of modification / grant date	Expected volatility <sup>(i)</sup>	Dividend yield	Balance at start of the year Number	Granted during the year	Forfeited during the year Number	Vested during the year Number	Balance at the end of year Number <sup>(ii)</sup>
<b>2013</b>									
Tranche 1	\$1.390	\$1.39	45%	4.68%	192,869	-	(96,434)	(96,435)	-
Tranche 2	\$0.527	\$1.39	45%	4.68%	290,725	-	(40,725)	-	250,000
Tranche 3	\$0.539	\$1.39	45%	4.68%	288,689	-	(38,689)	-	250,000
<b>Total</b>					<b>772,283</b>	<b>-</b>	<b>(175,848)</b>	<b>(96,435)</b>	<b>500,000</b>

(i) Volatility has been determined by an independent expert reviewing Sedgman's share price volatility over the last four years from the last reporting period with respect to moving average periods of 90 days, 120 days, 1 year, 2 years and 3 years.

(ii) No performance rights were exercisable at 30 June 2013.

The fair value of these rights is measured using a Monte Carlo pricing model taking into account the terms and conditions upon which the rights were granted and the current likelihood of achieving the specified targets.

The carrying amount of the liability relating to cash-settled performance rights as at 30 June 2014 is \$30,084 (2013: \$1,883).

**(d) Expenses recognised in profit or loss**

During the year ended 30 June 2014, a net credit to expenses of \$0.048 million (2013: expense of \$2.185 million) was recognised by the Group in respect of the LTI Plan, including both an equity-settled performance rights credit to expenses of \$0.079 million (2013: expense of \$2.470 million) and cash-settled performance rights expense of \$0.031 million (2013: credit to expenses of \$0.285 million).

The equity-settled amount was impacted by the forfeiture of rights by the former CEO.

**42 Parent entity financial information**

**(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000

**Result of the parent entity**

Profit/(loss) for the year	<b>5,663</b>	21,559
Other comprehensive income	<b>14</b>	(420)
Total comprehensive income for the year	<b>5,677</b>	21,139



**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**42 Parent entity financial information (continued)**

**(a) Summary financial information (continued)**

	<b>2014</b> <b>\$'000</b>	2013 \$'000 Restated
<b>Balance sheet of parent at year end</b>		
Current assets	<b>154,466</b>	158,650
Total assets	<b>304,467</b>	302,824
Current liabilities	<b>84,434</b>	78,228
Total liabilities	<b>115,278</b>	114,473
<b>Equity</b>		
Contributed equity	<b>116,212</b>	112,250
Reserves	<b>11,052</b>	11,113
Retained profits	<b>61,925</b>	64,988
<b>Total equity</b>	<b>189,189</b>	188,351

Bank guarantees and performance bonds have been given in respect of work in progress contracts and leased premises of the parent amounting to \$32.162 million (2013: \$30.923 million).

The parent entity did not have any other contingent liabilities as at 30 June 2014 or 30 June 2013.

**(b) Guarantees entered into by the parent entity**

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. No liability was recognised by the parent entity in relation to this guarantee.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in note 35.

**(c) Commitments**

*(i) Capital commitments*

There were no capital commitments contracted for at the reporting date but not recognised as liabilities (2013: nil).

*(ii) Operating leases*

	<b>2014</b> <b>\$'000</b>	2013 \$'000 Restated
<b>Non-cancellable</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	<b>5,522</b>	4,954
Later than one year but not later than five years	<b>8,416</b>	11,922
	<b>13,938</b>	16,876

The parent entity leases buildings under operating leases expiring within the next 2.5 years (2013: 3.5 years). The leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on Fixed Increase Percentages and the Consumer Price Index.

The operating lease rental expense recognised in the year ended 30 June 2014 was \$4.298 million (2013: \$4.884 million). In the current year an onerous contract, as defined in note 46(r), relating to surplus lease space was recognised in other expenses increasing costs by \$3.666 million (2013: nil).



## 42 Parent entity financial information (continued)

### (c) Commitments (continued)

	2014 \$'000	2013 \$'000
<i>(iii) Finance leases</i>		
Commitments in relation to finance leases are payable as follows:		
Within one year	3,538	1,638
Later than one year but not later than five years	2,047	5,585
Minimum lease payments	<u>5,585</u>	<u>7,223</u>
Less: Future finance charges	(441)	(872)
Total lease liabilities	<u>5,144</u>	<u>6,351</u>
Representing lease liabilities:		
Current	5,144	1,207
Non-current	-	5,144
	<u>5,144</u>	<u>6,351</u>

Due to the financing leases with ANZ and NAB being under annual revolving facilities, all outstanding commitments on these leases are classified as a current liability.

## 43 Events occurring after the balance sheet date

Other than the dividend declared subsequent to year end (refer note 29), there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

## 44 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for liabilities for cash-settled share-based payments (refer to note 46(s)); and financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss (refer to note 46(l)).

## 45 Changes in accounting policy

Except for the changes below, the Group has consistently applied the accounting policies set out in note 46 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards.

AASB 10 *Consolidated Financial Statements* (2011)  
AASB 11 *Joint Arrangements*  
AASB 12 *Disclosure of Interests in Other Entities*  
AASB 13 *Fair Value Measurement*  
AASB 119 *Employee Benefits* (2011)  
*Annual Improvements to Australian Accounting Standards 2009–2011 Cycle*  
Amendments to AASB 136 *Recoverable Amount Disclosures for Non-Financial Assets* (2013)

The nature and effects of the changes are explained below.

During the year ended 30 June 2013, the Group early adopted AASB 9 *Financial Instruments* (2010) (AASB 9) with initial application from 1 July 2012. In accordance with AASB 9 the Group designated its investments in equity securities not held for trading that were formerly designated as "Available for Sale", as "Financial Assets at Fair value through Other Comprehensive Income" as disclosed in note 46(l). This results in all realised and unrealised gains and losses from these investments being directly recognised through other comprehensive income in the statement of profit or loss and other comprehensive income.

As a result of the application of AASB 9, during the year ended 30 June 2013, \$1 million of unlisted equity securities were transferred from Available for Sale assets to Financial Assets at Fair Value through Other Comprehensive Income. These assets were written down during the year ended 30 June 2013 to \$400,000 with the fair value losses of \$600,000 being recognised through other comprehensive income in the statement of profit or loss and other comprehensive income.

#### **45 Changes in accounting policy (continued)**

##### **(a) Subsidiaries**

AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 *Consolidation and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities*. The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional application guidance. Under AASB 10, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has reassessed its consolidation conclusions in light of the new control principles in AASB 10 and concluded that no changes are required. Accordingly, the adoption of AASB 10 has not resulted in any adjustments to the consolidated financial statements.

##### **(b) Joint arrangements**

As a result of AASB 11, the Group has changed its accounting policy for its interests in joint arrangements. Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The adoption of AASB 11 has resulted in the Group re-evaluating the accounting for its interest in the Thiess Sedgman Joint Venture ("TSJV") and has reclassified its investment from a joint venture to a joint operation. As required by AASB 11, the change in accounting policy has been applied retrospectively and, as a consequence, the Group has derecognised its related investment in joint ventures at the beginning of the earliest period presented being 1 July 2012, and has accounted for assets, liabilities, expenses and income in respect of its interest in the joint operation. The change in accounting policy had no impact on the Group's net assets, items of equity, net profit or loss and earnings per share.

The quantitative impact to the consolidated statement of profit or loss, the consolidated statement of cash flows, the consolidated balance sheet and the progress claims in advance is set out in note 45(f) below. There was no restatement required in relation to the consolidated statement of profit or loss and other comprehensive income or the consolidated statement of changes in equity as a result of the adoption of AASB 11.

##### **(c) Disclosures of interests in other entities**

As a result of AASB 12, the Group has expanded its disclosures about its interests in subsidiaries (see note 34) and interests in joint arrangements and associates (see note 36).

##### **(d) Fair value measurement**

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other AASBs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other AASBs, including AASB 7 *Financial Instruments: Disclosures*. As a result, the Group has included additional disclosures in this regard (see note 37).

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

##### **(e) Disclosures of recoverable amount for non-financial assets**

The Group has early adopted the amendments to AASB 136 (2013). As a result, the Group is not required to disclose the recoverable amount of the Group's cash generating units, where there is no impairment.

##### **(f) Summary of quantitative impacts**

As a result of the adoption of AASB 11, certain amounts previously disclosed in the Group's historical consolidated financial statements have been adjusted to reflect the retrospective impact of the change in accounting policy adopted from 1 July 2013.

The following tables summarise the adjustments made to the Group's consolidated statement of profit or loss, consolidated balance sheet, consolidated statement of cash flows and progress claims in advance.

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**45 Changes in accounting policy (continued)**

**(f) Summary of quantitative impacts (continued)**

***Impact on consolidated statement of profit or loss***

	For the year ended 30 June 2013		
	As previously reported	Change in accounting policy	As restated
	\$'000	\$'000	\$'000
<b>Continuing operations</b>			
Revenue from services	448,914	17,727	466,641
Other income	6,922	134	7,056
	455,836	17,861	473,697
<b>Expenditure</b>			
Changes in construction work in progress	(35,835)	1,657	(34,178)
Raw materials and consumables used	(205,201)	(17,337)	(222,538)
Depreciation and amortisation expense	(20,071)	-	(20,071)
Employee expenses	(127,363)	-	(127,363)
Agency contract fees	(7,947)	-	(7,947)
Impairment of property, plant and equipment	(6,358)	-	(6,358)
Impairment of receivables	(7,601)	-	(7,601)
Other expenses	(31,423)	-	(31,423)
Finance costs	(2,795)	-	(2,795)
	(444,594)	(15,680)	(460,274)
Share of net profits/(losses) of investments accounted for using the equity method	2,136	(2,181)	(45)
<b>Profit before income tax</b>	13,378	-	13,378
Income tax expense	(3,950)	-	(3,950)
<b>Profit for the year attributable to owners of the Company</b>	9,428	-	9,428

**Sedgman Limited**  
**Notes to the consolidated financial statements (continued)**  
**For the year ended 30 June 2014**

**45 Changes in accounting policy (continued)**

**(f) Summary of quantitative impacts (continued)**

**Impact on consolidated balance sheet**

	As at 30 June 2013			As at 1 July 2012		
	As previously reported	Change in accounting policy	As restated	As previously reported	Change in accounting policy	As restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	101,987	1,367	103,354	91,953	1,132	93,085
Trade and other receivables	91,853	(81)	91,772	166,396	3,988	170,384
Assets classified as held for sale	1,483	-	1,483	-	-	-
Current tax assets	4,158	-	4,158	-	-	-
Inventories	4,387	-	4,387	6,864	-	6,864
Total current assets	203,868	1,286	205,154	265,213	5,120	270,333
<b>Non-current assets</b>						
Trade and other receivables	-	-	-	741	-	741
Investments accounted for using the equity method	1,330	(825)	505	10,482	(10,482)	-
Financial assets at fair value through other comprehensive income	400	-	400	1,000	-	1,000
Property, plant and equipment	35,581	-	35,581	48,744	-	48,744
Deferred tax assets	6,477	-	6,477	9,151	-	9,151
Intangible assets	42,263	-	42,263	44,330	-	44,330
Total non-current assets	86,051	(825)	85,226	114,448	(10,482)	103,966
<b>Total assets</b>	289,919	461	290,380	379,661	(5,362)	374,299
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	72,941	461	73,402	142,901	(5,560)	137,341
Interest bearing liabilities	5,750	-	5,750	1,653	-	1,653
Provisions	8,363	-	8,363	9,217	198	9,415
Current tax liabilities	744	-	744	15,885	-	15,885
Total current liabilities	87,798	461	88,259	169,656	(5,362)	164,294
<b>Non-current liabilities</b>						
Interest bearing liabilities	21,239	-	21,239	25,076	-	25,076
Provisions	2,585	-	2,585	1,417	-	1,417
Other	250	-	250	900	-	900
Total non-current liabilities	24,074	-	24,074	27,393	-	27,393
<b>Total liabilities</b>	111,872	461	112,333	197,049	(5,362)	191,687
<b>Net assets</b>	178,047	-	178,047	182,612	-	182,612
<b>EQUITY</b>						
Contributed equity	112,250	-	112,250	106,377	-	106,377
Reserves	7,059	-	7,059	6,388	-	6,388
Retained profits	58,738	-	58,738	69,847	-	69,847
Parent entity interest	178,047	-	178,047	182,612	-	182,612
<b>Total equity attributable to equity holders of the Company</b>	178,047	-	178,047	182,612	-	182,612

**45 Changes in accounting policy (continued)**

**(f) Summary of quantitative impacts (continued)**

***Impact on consolidated statement of cash flows***

	For the year ended 30 June 2013		
	As previously reported	Change in accounting policy	As restated
	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	538,147	23,792	561,939
Cash payments to suppliers and employees	(477,631)	(28,836)	(506,467)
	60,516	(5,044)	55,472
Interest received	1,805	52	1,857
Financing costs paid	(2,204)	-	(2,204)
Income taxes refunded	522	-	522
Income taxes paid	(19,528)	-	(19,528)
<b>Net cash from operating activities</b>	<b>41,111</b>	<b>(4,992)</b>	<b>36,119</b>
<b>Cash flows from investing activities</b>			
Distributions and loans from/(to) joint venture partnerships	(5,227)	5,227	-
Acquisition of subsidiary, net of cash acquired	(2,626)	-	(2,626)
Acquisition of shares in associate	(804)	-	(804)
Proceeds from sale of shares in associate	254	-	254
Loan to associate	(561)	-	(561)
Repayment of loan by associate	561	-	561
Payments for property, plant and equipment	(5,258)	-	(5,258)
Proceeds from sale of property, plant and equipment	605	-	605
Acquisition of intangible asset	(615)	-	(615)
<b>Net cash used in investing activities</b>	<b>(13,671)</b>	<b>5,227</b>	<b>(8,444)</b>
<b>Cash flows from financing activities</b>			
Payment of financing transaction costs	(816)	-	(816)
Finance lease payments	(1,776)	-	(1,776)
Proceeds from borrowings	21,000	-	21,000
Repayment of borrowings	(22,183)	-	(22,183)
Dividends paid	(15,589)	-	(15,589)
<b>Net cash used in financing activities</b>	<b>(19,364)</b>	<b>-</b>	<b>(19,364)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,076</b>	<b>235</b>	<b>8,311</b>
Effect of exchange rate fluctuations on cash held	1,958	-	1,958
Cash and cash equivalents at 1 July	91,953	1,132	93,085
<b>Cash and cash equivalents at 31 December</b>	<b>101,987</b>	<b>1,367</b>	<b>103,354</b>

**45 Changes in accounting policy (continued)**

**(f) Summary of quantitative impacts (continued)**

***Impact on progress claims in advance***

	As at 30 June 2013		
	As previously reported	Change in accounting policy	As restated
	\$'000	\$'000	\$'000
<i>Construction work in progress comprises:</i>			
Contract costs and net profits to date	681,789	112,751	794,540
Less: Progress billings	(706,964)	(118,280)	(825,244)
Net construction work in progress	(25,175)	(5,529)	(30,704)
<i>Net construction work in progress comprises:</i>			
Amounts due from customers – trade and other receivables	10,135	-	10,135
Amounts due to customers – trade and other payables	(35,310)	(5,529)	(40,839)
	(25,175)	(5,529)	(30,704)

***Reconciliation between the TSJV investment in equity accounted joint operation derecognised and the assets and liabilities recognised***

	1 July 2012
	\$'000
Investments accounted for using the equity method	10,482
Trade and other payables	(23,807)
Equity-accounted investments in joint operation derecognised at 1 July 2012	(13,325)
Share of underlying assets and liabilities:	
Cash and cash equivalents	1,132
Trade and other receivables	3,988
Trade and other payables	(18,247)
Provisions	(198)
	(13,325)

**46 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented and have been applied consistently by Group entities, except for the changes explained in note 45.

**(a) Basis of consolidation**

***(i) Business combinations***

The acquisition method of accounting is used to account for all business combinations.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (refer note 46(g)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (refer note 46(l)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

**46 Summary of significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

*(ii) Non-controlling interests*

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

*(iii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

*(iv) Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

*(v) Interests in equity-accounted investees*

The Group's interests in equity-accounted investees comprise interests in an associate and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity accounted investees, until the date on which significant influence or joint control ceases.

*(vi) Interests in joint operations*

A joint operation exists when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises the assets, liabilities, expenses and income in respect of its interest in the joint operation.

*(vii) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.



**46 Summary of significant accounting policies (continued)**

**(b) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. All operating segments' operating results are regularly reviewed by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income and foreign exchange losses.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**(c) Foreign currency translation**

*(i) Transactions and balances*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

*(ii) Foreign operations*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity, except to the extent that the translation differences are allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are accumulated in the FCTR.



**46 Summary of significant accounting policies (continued)**

**(d) Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

*(i) Rendering of services other than construction contracts*

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax ("GST") payable to the taxation authority.

Revenue from design and project management services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract. The stage of completion is assessed by reference to an assessment of work performed.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is only recognisable to the extent of costs incurred. An expected loss is recognised immediately as an expense.

The Group also generates revenue from the secondment of employees to the Thiess Sedgman Joint Venture at agreed charge-out rates.

*(ii) Construction contracting*

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where management is satisfied that the costs will be recovered, revenue is recognised to the extent of costs incurred.

The stage of completion of a contract is measured by reference to an assessment of total costs incurred to date as a percentage of the estimated total costs of the contract.

*(iii) Interest income*

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

*(iv) Dividend income*

Dividend income is recognised as it accrues.

*(v) Other income*

All items of other income are recognised as they accrue.

**(e) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

*(i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

**46 Summary of significant accounting policies (continued)**

**(e) Income tax (continued)**

*(ii) Deferred tax*

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; differences relating to investments in subsidiaries, associates and joint arrangements to the extent that they will probably not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

*(iii) Tax consolidation legislation*

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. As a consequence, all members of the tax-consolidated group are taxed as a single entity.

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payment to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity. The members of the tax-consolidated group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its payment obligations and the treatment of entities leaving the tax-consolidated group.

**(f) Leases**

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (refer note 17). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities (refer notes 21 and 24). Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (refer note 32). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**46 Summary of significant accounting policies (continued)**

**(g) Impairment of assets**

The carrying amounts of the Group's non-current assets, trade and other receivables (refer note 46(i)), construction contract assets (refer note 46(w)), assets classified as held for sale (refer note 46(k)), financial assets at fair value through comprehensive income (refer note 46(l)) and financial assets at fair value through profit or loss (refer note 46(l)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit - "CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised within expenses in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro-rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

*(i) Recoverable amount of assets*

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Receivables are individually assessed for impairment.

The recoverable amount of other assets or CGUs is the greater of their fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

**(h) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within interest bearing liabilities in current liabilities in the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## **46 Summary of significant accounting policies (continued)**

### **(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amounts are generally due for settlement within 30 days.

Trade and other receivables are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (refer note 46(g)). The amount of the impairment loss is recognised in profit or loss in expenses.

### **(j) Inventories**

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

### **(k) Assets held for sale**

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale. Assets classified as held for sale are presented separately from other assets in the balance sheet.

### **(l) Financial instruments**

#### *(i) Recognition and derecognition*

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

#### *(ii) Measurement*

Financial assets are initially measured at fair value. If the financial asset is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. On initial recognition, the Group classifies its financial assets as subsequently measured at either amortised cost or fair value, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

## **46 Summary of significant accounting policies (continued)**

### **(l) Financial instruments (continued)**

#### *(iii) Financial assets measured at amortised cost*

A financial asset is subsequently measured at amortised cost, using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

#### *(iv) Financial assets measured at fair value*

These assets are measured at fair value and changes therein, including any interest or dividend income, are recognised as other income in profit or loss. These assets are classified as financial assets at fair value through profit or loss.

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income ("OCI"). For such investments measured at fair value through OCI, gains and losses are never reclassified to profit or loss, and no impairment is recognised in profit or loss. Dividends earned from such investments are recognised in profit or loss, unless the dividend clearly represents a repayment of part of the cost of the investment.

#### *(v) Non-derivative financial liabilities*

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

### **(m) Property, plant and equipment**

#### *(i) Recognition and measurement*

Items of property, plant and equipment (including land and buildings) are stated at cost less accumulated depreciation (see below) and impairment losses (refer note 46(g)). The cost of self-constructed assets and acquired assets includes (i) the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, (ii) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (iii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### *(ii) Subsequent costs*

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 charged to profit or loss during the financial period in which they are incurred.

#### *(iii) Depreciation*

Depreciation is generally calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The estimated useful lives in the current and comparative periods are as follows:

- Buildings	50 years
- Plant and equipment	2.5 – 10 years
- Motor vehicles	3 – 7 years
- Structural improvements	7 – 40 years
- Leased plant and equipment	3 – 10 years

**46 Summary of significant accounting policies (continued)**

**(m) Property, plant and equipment (continued)**

In respect of some plant and equipment, where the total operating hours reflect the useful life of an asset, a production unit approach to depreciation is adopted. An estimate of total operating hours for plant and equipment is determined, with depreciation based on the operating hours undertaken in each financial year. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment	cumulative number of hours up to 10 years
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Assets are depreciated from the date they are installed and ready for use, which is generally the date of acquisition.

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

*(iv) Sale of non-current assets*

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs). The gain or loss is recognised as income or an expense.

**(n) Intangible assets**

*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired (refer note 46(g)), and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

*(ii) Brands*

Brands have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

*(iii) Customer contracts*

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses.

*(iv) Software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

*(v) Amortisation*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and previous periods are as follows:

- Brands	7.25 years
- Customer contracts	1-7.25 years
- Software	5 years

The amortisation period remaining for Enterprise Resource Planning software is two years and for other software is four years, with no amortisation remaining in relation to brands and customer contracts.

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



#### **46 Summary of significant accounting policies (continued)**

##### **(o) Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

##### **(p) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

##### **(q) Finance costs**

Finance costs include interest on borrowings using the effective interest method, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and unwinding of the discount on liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

##### **(r) Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the effect of discounting is recognised as a finance cost.

###### *(i) Dismantling*

In accordance with the Group's applicable legal requirements, a provision for dismantling in respect of the Blair Athol CHPP is recognised.

The provision is the best estimate of the present value of the expenditure required to settle the dismantling obligation at the reporting date, based on current legal requirements and technology. Future dismantling costs are reviewed annually and any changes are reflected in the present value of the dismantling provision at the end of the reporting period.

###### *(ii) Provision for make good*

A provision for make good has been recognised in relation to the Group's legal obligation at the end of the occupancy lease for the head office premises.

###### *(iii) Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. An onerous contract provision has been recognised in relation to surplus property lease space held for \$3.666 million (2013: nil).

##### **(s) Employee benefits**

###### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as superannuation, workers compensation insurance and payroll tax. In instances where payment is not due within 12 months from the reporting date the obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

## **46 Summary of significant accounting policies (continued)**

### **(s) Employee benefits (continued)**

Non-accumulating non-monetary benefits such as housing and cars are expensed by the Group as the benefits are taken by the employee.

#### *(ii) Long service leave*

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

#### *(iii) Share-based payments*

Share-based compensation benefits are provided to employees via a long term incentive plan. Non-executive directors also receive a proportion of their annual remuneration in shares purchased on market.

- *Equity-settled*

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights.

The fair value of performance rights at grant date is independently determined using the Monte Carlo pricing model, which takes into account the terms and conditions upon which the performance rights were granted.

The amount recognised as an expense is adjusted to reflect the actual number of performance rights that vest except where forfeiture is only due to market based performance criteria not achieving the threshold for vesting.

- *Cash-settled*

The cost of cash-settled share-based transactions is measured at fair value at the grant date using a Monte Carlo pricing model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee expense.

- *Modification to plan terms*

When the terms of equity-settled performance rights are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the plan are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

#### *(iv) Bonus plan*

The Group recognises a liability for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a liability where it is contractually obliged to pay an amount under the bonus plan or where there is a past practice that has created a constructive obligation.

#### *(v) Superannuation*

Contributions to defined contribution plans are recognised as an expense as they are made.

#### *(vi) Termination benefits*

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.



## **46 Summary of significant accounting policies (continued)**

### **(t) Contributed equity**

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Sedgman Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the owners of Sedgman Limited.

### **(u) Earnings per share**

#### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### **(v) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. 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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flows.

### **(w) Construction work in progress**

#### *Valuation*

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date.

Construction work in progress is carried at cost plus profit recognised to date based on the value of work completed less progress billings and less provision for foreseeable losses, allocated between amounts due from customers and amounts due to customers.

Cost includes both variable and fixed costs directly related to specific contracts, and those which can be attributed to contract activity in general and which can be allocated to specific contracts on a reasonable basis and other costs specifically chargeable under the contract.

Construction work in progress is presented as part of trade and other receivables in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. Where progress billings exceed cost plus profit recognised to date the net amount is presented in trade and other payables.

**46 Summary of significant accounting policies (continued)**

**(x) Parent entity financial information**

The Group has applied amendments to the *Corporations Act 2001* that remove the requirement for the Group to lodge parent entity financial statements. The financial information for the parent entity, Sedgman Limited, disclosed in note 42 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of Sedgman Limited.

**(y) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

**47 New standards and interpretations not yet adopted**

The following amendment to standards and interpretations are relevant to the current operations. It is available for early adoption but has not been applied in the consolidated financial statements of the Group:

- *AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part C – Financial Instruments* (effective from 1 January 2018). This amendment introduces a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities. It also includes additional scope for components of general hedge accounting.

The potential effects on the adoption of the above amendment are yet to be determined.

1. In the opinion of the directors of Sedgman Limited (the "Company"):
  - (a) The consolidated financial statements and notes that are set out on pages 29 to 84 and the Remuneration report in the Directors' report, set out on pages 12 to 25, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in Note 35 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.
4. The directors draw attention to Note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors.



Russell James Kemprich  
Chairman



Peter Richard Watson  
Managing Director

Brisbane  
27 August 2014



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

### *Report on the financial report*

We have audited the accompanying financial report of Sedgman Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 47 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the 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 and fair presentation 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 presentation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

### *Independence*

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

### *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.



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

***Report on the remuneration report***

We have audited the Remuneration Report included in pages 12 to 25 of the directors' report for the year ended 30 June 2014. 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 auditing standards.

***Auditor's opinion***

In our opinion, the remuneration report of Sedgman Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

*KPMG*

KPMG

*Scott Guse*

Scott Guse  
Partner

Brisbane  
27 August 2014