

Appendix 4E

Preliminary final report
Financial Year Ended 30 June 2014
Previous corresponding reporting period 30 June 2013

RESOURCE EQUIPMENT LIMITED

ABN: 83 098 812 492

Results for announcement to the market				\$A'000
Revenues from ordinary activities	Down	20.7%	to	83,410
Profit from ordinary activities after tax attributable to the members of Resource Equipment Limited	Down	186.9%	to	(4,501)
Profit for the period attributable to the members of Resource Equipment Limited	Down	186.9%	to	(4,501)
	30 June 2014		30 June 2013	
Net tangible asset backing per security	28.9 cents		34.3 cents	
Weighted average number of shares as the denominator in calculating basic and diluted Earnings Per Share	259,848,550		248,867,289	
Basic earnings per share from continuing operations	(1.73 cents)		2.08 cents	
Diluted earnings per share from continuing operations	(1.73 cents)		2.08 cents	
Dividends: No dividend has been declared or paid for the financial year ended 30 June 2014. No dividends were declared in the prior corresponding period.				

COMMENTARY ON RESULTS

Resource Equipment Ltd (REL or the Company) reported a net loss after tax of \$4.5 million on revenues of \$83.4 million for the year ended 30 June 2014. Earnings before interest, depreciation, amortisation and taxation (EBITDA) of \$5.2 million were down 75% from the prior year. Extraordinary items such as redundancy costs and hire purchase termination costs of approximately \$1.8 million were included in the period. Normalised EBITDA is therefore \$7.0 million for the year.

Revenues decreased by 20.7% to \$83.4 million. Trading conditions were challenging due to the completion of the construction phase of a number of mining projects and mine focus on cost reductions. The shift in the Australian mining sector from rent to purchase of fleets has negatively impacted our sales however this has also exposed other opportunities for REL to enter new markets for maintenance and management of client-owned equipment.

The company has recognised an Income Tax Benefit for FY14 in the amount of \$3.5 million. Of this amount, \$1.8 million relates to the current year's operations and \$1.7 million relates to the successful application of the Research and Development Tax Incentive and subsequent amendments to prior years' income tax assessments.

Approximately \$20 million of hire purchase contracts with remaining terms of one to three years were refinanced under a five year facility with GE Commercial (GE), who has also provided an additional \$5 million working capital facility. Costs associated with the early termination of the hire purchase agreements and the establishment of a new facility with GE were almost \$1 million.

Although FY14 was a challenging period, a number of positive actions have been taken.

- The Carosti Investor Group injected an amount of \$8.1 million into the Company for a 19.9% stake in the second half of the financial year. This has delivered a significant improvement in the Company's financial strength and provides it with the wherewithal to pursue potential strategic opportunities.
- Staff rationalisation and normal attrition saw a 50% reduction in overall head count during the financial year.
- Appointment of Andrew Aitken as Chief Executive Officer and Stephen Donnelley as a Non-Executive Director.
- Restructuring of the Company's Indonesian operation has returned it to a break even position.
- The oil & gas division has continued to perform strongly.

The Directors continue to adopt a conservative approach to managing the Company's balance sheet and have resolved not to pay a dividend for the 2014 year.

The company's key focus for FY15 is to complete the restructuring of the business, focus on fleet utilisation, improve margin and look for growth opportunities.

**Preliminary Consolidated Statement of Profit or Loss
and Other Comprehensive Income**

For the year ended 30 June 2014

	Notes	30 June 2014 \$'000	30 June 2013 \$'000
Revenue from continuing operations		83,382	105,110
Other income		28	80
Raw materials and consumables used		(11,546)	(9,272)
Installation & Commissioning		(18,938)	(27,970)
Employee benefits expense		(33,449)	(33,536)
Maintenance		(3,307)	(3,424)
Occupancy		(2,897)	(2,601)
Transport		(1,686)	(2,129)
Travel and accommodation		(486)	(860)
Depreciation and amortisation		(11,046)	(10,425)
Finance costs		(2,139)	(2,436)
Other expenses		(5,897)	(4,508)
Profit from continuing operations before income tax		(7,980)	8,029
Income tax (expense)/benefit		3,479	(2,851)
Profit from continuing operations after tax		(4,501)	5,178
Net profit attributable to members of Resource Equipment Limited		(4,501)	5,178
Other Comprehensive Income			
Exchange differences on translation of foreign operations		(351)	(256)
Total Comprehensive Income		(4,852)	4,922

The accompanying notes form part of this preliminary final report

Preliminary Consolidated Statement of Financial Position
For the year ended 30 June 2014

	Notes	30 June 2014 \$'000	30 June 2013 \$'000
Current Assets			
Cash and cash equivalents	1	15,824	3,699
Receivables		13,951	15,833
Inventories	2	2,801	5,121
Prepayments		391	820
Total current assets		32,967	25,473
Non-current assets			
Property, plant and equipment	3	95,788	104,570
Intangible assets	4	19,577	19,577
Deferred tax asset	9	2,955	1,096
Total non-current assets		118,320	125,243
Total assets		151,286	150,716
Current liabilities			
Trade and other payables		11,128	10,974
Borrowings	5	6,837	11,689
Employee benefits		1,432	1,556
Current tax liability	9	-	2,212
Total current liabilities		19,397	26,432
Non-current liabilities			
Borrowings	5	21,691	18,082
Employee benefits		762	713
Provisions		503	386
Total non-current liabilities		22,955	19,181
Total liabilities		42,352	45,613
Net assets		108,934	105,103
Equity			
Contributed equity	6	69,983	61,822
Reserves		4,250	4,080
Accumulated profits		34,701	39,201
Total equity		108,934	105,103

The accompanying notes form part of this preliminary final report

Preliminary Statement of Changes in Equity
For the year ended 30 June 2014

	Notes	\$'000 Contributed Equity	\$'000 Accumulated Profit	\$'000 Other Reserves	\$'000 Total
Balance at 1 July 2012	6	61,237	33,960	4,572	99,769
Profit for the year		-	5,178	-	5,178
Other comprehensive income for the year		-	21	(277)	(256)
Total comprehensive income for the year		-	5,199	(277)	4,922

Transactions with owners in their capacity as owners:

Employee share based provision	-	-	332	332
Employee share based payment	547	-	(547)	-
Employee share scheme costs	(4)	-	-	(4)
Deferred tax credit recognised directly in equity	42	42	-	84
	585	42	(215)	412

Balance at 30 June 2013	6	61,822	39,201	4,080	105,103
Profit for the year		-	(4,501)	-	(4,501)
Other comprehensive income for the year		-	-	(351)	(351)
Total comprehensive income for the year		-	(4,501)	(351)	(4,852)

Transactions with owners in their capacity as owners:

Employee share based provision	-	-	521	521
Employee share based payment	-	-	-	-
Allotment	8,119	-	-	8,119
Deferred tax credit recognised directly in equity	42	-	-	42
	8,161	-	521	8,682

Balance at 30 June 2014	6	69,983	34,701	4,250	108,934
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Preliminary Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Notes	30 June 2014 \$'000	30 June 2013 \$'000
Cash flows from operating activities			
Receipts from customers		85,253	106,330
Payments to suppliers and employees		(75,036)	(88,477)
Interest received		28	62
Finance costs		(2,139)	(2,436)
Income tax paid		(593)	(1,417)
Net cash provided by operating activities		7,512	14,062
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,441	2,336
Purchase of property, plant and equipment		(4,748)	(27,881)
Payment for purchase of subsidiary net of cash acquired		-	-
Net cash used in investing activities		(2,306)	(25,545)
Cash flows from financing activities			
Proceeds from issue of equity		8,162	-
Capital raising costs		-	(4)
Proceeds from borrowings		12,449	21,305
Repayment of borrowings		(13,692)	(10,344)
Net cash provided by financing activities		6,919	10,957
Net increase / (decrease) in cash held		12,125	(526)
Cash at beginning of financial year		3,699	4,225
Cash at end of financial year	1	15,824	3,699

The accompanying notes form part of this preliminary final report

Notes to the Preliminary Final Report
For the year ended 30 June 2014

	30 June 2014 \$'000	30 June 2013 \$'000
1 Reconciliation of cash and cash equivalents		
Cash	15,824	3,699
Bank overdraft	-	-
Cash and cash equivalents	15,824	3,699

An amount of \$12,270,316 (2013 : \$Nil) was held in an offset account with the Company's principal financier, GE Commercial Pty Ltd (GE) in order to reduce the ongoing interest expense of the \$25 million cash advance facility (refer to Note 5 Borrowings below). The cash held with GE has no restrictions and can be accessed at any time for the Company's operating, financing or investing needs. The balance of the Company's cash was held with the Company's transactional banker, HSBC Ltd.

2 Inventories

The Company continues to classify \$1.7 million of evaporation equipment in Inventories. The Company holds the exclusive Australian distribution rights for this equipment. This equipment was previously classified as Property, Plant and Equipment (PPE) and the reclassification was made as a result of changes in market conditions which have allowed the Company to market the equipment for sale to customers. A sale of approximately \$2 million of evaporation equipment was made to a customer during the year. The Company separately maintains a rental fleet of evaporation units valued at approximately \$2.8 million.

3 Property, plant and equipment

Rental fleet at cost	110,642	109,177
Less: accumulated depreciation	(26,076)	(17,801)
Other plant and equipment	18,734	18,238
Less: accumulated depreciation	(7,513)	(5,044)
Property, plant and equipment	95,788	104,570

4 Intangibles

Goodwill	19,816	19,816
Less: Impairment of goodwill	(242)	(242)
Trade names at cost	3	3
Less: Amortisation of trade names	-	-
Intangible assets	19,577	19,577

5 Borrowings

Borrowings consisted of a cash advance facility and various hire purchase contracts for financing the purchase of items of plant and equipment. A 5 year cash advance facility for approximately \$25 million was entered into with GE Commercial Pty Ltd in January 2014 as a result of a debt restructure program that enabled the Company to reduce its monthly finance commitments and provide it with a \$5 million working capital facility.

The GE facility has a full interest offset account where the Company's surplus cash is transferred in order to reduce the ongoing interest expense. This offset account had an amount of \$12,270,316 (2013 : \$Nil) in it as at 30 June 2014. Hire purchase contracts are typically contracted with nil residual value and payable over four years.

At 30 June 2014 the Company had total borrowings of \$28,527,786 (2013: \$29,770,795).

6 Contributed equity

2014	Number of Shares	\$'000
Ordinary shares at 1 July 2013	248,990,471	61,822
Securities issued during the year	60,536,644	8,162
Costs of securities issued	-	-
Contributed equity 30 June 2014	309,527,115	69,983

2013	Number of Shares	\$'000
Ordinary shares at 1 July 2012	247,044,935	61,237
Securities issued during the year	1,945,536	589
Costs of securities issued	-	(4)
Contributed equity 30 June 2013	248,990,471	61,822

7 Segment information

All activities conducted by the Company and its subsidiaries are within one business segment being the provision of specialist rental equipment and services to the natural resources and heavy engineering industries throughout Australia.

8 After balance date events

On 8 July 2014 Mr Jamie Cullen resigned as the Company's Chief Executive Officer and as a Director of the Company.

On 17 July 2014 Mr Andrew Aitken was appointed as Managing Director and Chief Executive Officer of the Company.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

9 Provisions

As at 30 June 2014, a tax provision totalling \$Nil was made (2013: \$2,212,379). A net Future Income Tax Benefit of \$2,955,010 was recorded (2013: \$1,096,010).

Compliance statement

This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Resource Equipment Limited comply with International Financial Reporting Standards (IFRS).

This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

This report does give a true and fair view of the matters disclosed.

This report is based on accounts to which one of the following applies.

(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | The accounts have been audited | <input type="checkbox"/> | The accounts have been subject to review |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed |

Sign here:



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(Chief Executive Officer)

Date: 28 August 2014

Print name:

Andrew Aitken