



**VALMEC**



**DELIVERING VALUE**

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**Valmec Limited**

ABN 94 003 607 074

Financial Report for the Year Ended 30 June 2015

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## Corporate Directory

### Directors

Mr Stephen Zurhaar  
Non-Executive Chairman

Mr Steve Dropulich  
Managing Director

Mr Vincent Goss  
Executive Director

Mr Ranko Matic  
Non-Executive Director

### Company Secretary

Mr Ranko Matic

### Registered Office

C/- Bentleys (WA) Pty Ltd  
Level 1, 12 Kings Park Road  
West Perth WA 6005

Telephone: +61 8 9226 4500

Facsimile: +61 8 9226 4300

### ASX Code

VMX

### Legal Advisers

HWL Ebsworth  
Level 1, Westralia Plaza  
167 St Georges Terrace  
PERTH WA 6000

Telephone: +61 8 9420 1535

Facsimile: 1300 704 211

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

Telephone: +61 8 9321 4000

Facsimile: +61 8 9321 4333

### Share Registry

Link Market Services Limited  
Level 4 Central Park  
152 St Georges Terrace  
PERTH WA 6000

Telephone: +61 2 8280 7111

Facsimile: +61 2 9287 0309

### Auditor

RSM Bird Cameron Partners  
8 St Georges Terrace  
Perth WA 6000

Telephone: +61 8 9261 9100

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## Financial report for the Year ended 30 June 2015

### Appendix 4E – Preliminary Final Report For The Year Ended 30 June 2015

Results for Announcement to Market

<b>Key Information</b>	<b>2015</b>	<b>2014</b>	<b>% Change</b>
	<b>\$000</b>	<b>\$000</b>	
Revenue from ordinary activities	50,453	50,105	0.7%
Profit after tax from ordinary activities attributable to members	5,751	5,048	13.9%
Net profit attributable to members	5,751	5,048	13.9%

### Dividends Paid and Proposed

	<b>Amount per Security</b>	<b>Franked Amount per Security at 30% of Tax</b>
<b>Ordinary shares:</b>		
2014 final – paid	-	-
2015 interim – paid	0.005	-

### Record date for determining entitlements to the final dividend:

Ordinary shares

### Explanation of Key Information and Dividends

Refer to the accompanying directors' report.

### Statement of Profit or Loss and Other Comprehensive Income with Notes to the Statement

Refer to pages 32 to 86 of the 30 June 2015 financial report and accompanying notes for Valmec Limited.

### Statement of Financial Position with Notes to the Statement

Refer to pages 33 to 86 of the 30 June 2015 financial report and accompanying notes for Valmec Limited.

### Statement of Cash Flows with Notes to the Statement

Refer to pages 35 to 86 of the 30 June 2015 financial report and accompanying notes for Valmec Limited.

### Dividend Details

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<b>Ordinary share capital:</b>		
Interim dividend paid (unfranked)	394	-
Interim dividend payable (unfranked)	16	-
Final dividend payable	-	-
<b>Fully franked redeemable preference shares:</b>		
Final dividend paid	-	-

### Dividend Reinvestment Plan

There was no dividend reinvestment plan in operation which occurred during the financial year.

## Statement of Retained Earnings Showing Movements

	2015	2014
	\$000	\$000
Balance at the beginning of the year	4,045	(1,003)
Net profit attributable to members of the parent entity	5,751	5,048
Dividends	(410)	-
Balance at the end of the year	9,386	4,045

## Net Tangible Assets per Share

	2015	2014
	\$	\$
Net tangible assets per share	0.11	0.08

	2015	2014
	\$	\$
Earnings per Share	8.26	16.41 <sup>1</sup>

<sup>1</sup> 2014 Earnings Per Share does not reflect the issue of 33,296,878 shares in September 2014, issued to the vendors of Marcon Group as contingent consideration in respect of earnings before interest and tax (EBIT) derived by the Group in 2014.

On a comparative basis, assuming the contingent consideration shares were issued on 30 June 2014, notional Earnings per Share would be as follows:

### Notional Earnings per share

Basic earnings per share (cents)	9	8.26	7.96
Diluted earnings per share (cents)	9	8.26	7.96

## Control Gained or Lost over Entities in the Year

On 31 December 2014, Valmec Limited acquired 100% interest of Valmec Services Pty Ltd (formerly Extrerran (Australia) Pty Ltd (EAPL)). As required by Australian Accounting Standard AASB 3 'Business Combinations', Valmec Services Pty Ltd was deemed to have been acquired by Valmec Limited as at 31 December 2014. Please refer to the Notes of the Consolidated Financial Statements for additional information.

## Investment in Associates and Joint Ventures

There are no associates or joint venture entities.

## Commentary on the Results for the Period

Refer to the commentary on the results for the period contained in the "Review of Operations" included within the operating and financial review section of the annual report.

## Status of Audit

The 30 June 2015 financial report and accompanying notes for Valmec Limited have been audited and are not subject to any disputes or qualifications. Refer to page 88 of the 30 June 2015 financial report for a copy of the auditor's report.

## Operating and Financial Review

### Principal Activities

VALMEC Limited is a diversified energy and infrastructure services group providing equipment, construction, commissioning and maintenance services to the oil and gas, resources and infrastructure sectors throughout Australia.

The principal activities of the consolidated group during the financial year were:

- Process Services Engineering, Procurement and Construction;
- Mining Services Multi-Discipline Construction;
- Gas Turbine Compression and Metering;
- Petrochemical and Mining Fabrication;
- Electrical and underground services;
- Earthworks and civil engineering;
- Asset Preservation, Service and Maintenance

Valmec operates from offices in Perth, Adelaide and Brisbane with regional workshop facilities in Dalby (QLD).

### *Significant Changes to Activities*

Other than the Business Combination involving Valmec Limited and Valmec Services Pty Ltd referred to in this Financial Report, no significant changes in the nature of the consolidated group's principal activities occurred during the financial year.

### **Our Business Model and Objectives**

Providing satisfactory returns to our shareholders is our primary objective.

The Group previously advised its intentions to actively review new transactions with the view of creating shareholder value. The Board members have a broad range of experience, skills and networks within the Oil, Gas and Resources sectors which the Group now intends on utilizing in reviewing future transaction opportunities.

Together with its global technology partners, Valmec Limited presents itself as a niche offering in the supply of specialist engineering, procurement, construction (EPC), preservation and integrity maintenance services to the Energy Services, Oil, Gas and Resources industries.

## Review of Operations

### **Revenues**

Sales revenue for the financial year was \$50.4 million up marginally from the previous corresponding period. Whilst challenging conditions within the greater engineering and construction sector constrained our expected growth in EPC and turnkey projects, the Group's contribution from service contracts reduced this impact.

Service and maintenance revenues derived from the Groups' acquisition of Exterran (Australia) Pty Ltd (EAPL) (subsequently renamed to Valmec Services Pty Ltd) in January 2015, accounted for 27% of total Group revenues in this reporting period and EAPL's strong operations and maintenance capabilities will continue to hold Valmec in good stead during this cycle.

### **Earnings**

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was \$6.59 million, significantly up from the previous year (FY14: \$2.9 million) but inclusive of gains made on acquisition of working capital and service contracts (\$1.7 million) and rental assets (\$3.4 million) associated with the EAPL transaction. On an underlying basis, trading EBITDA before corporate costs was \$2.59 million for the year.

Reported net profit after tax (NPAT) for the year after accounting for an additional tax benefits of \$1.37m brought to account as a result of EAPL transaction, was \$5.75 million, up 13% from the previous corresponding period.

Earnings per share for the reporting period was 8.3 cents.

### **Strengthening Balance Sheet**

Valmec continues to grow its balance sheet with net assets of the consolidated group increasing by approximately \$7.2 million from \$8.46 million in 30 June 2014 to \$15.69 million in 2015, attributed mainly to the EAPL transaction and NPAT of \$5.75 million.

Cashflow from operations improved significantly on prior year trading (+ \$3.1 million) whilst gearing levels (net debt to equity) has been reduced to 24.8% (FY14: 50.1%).

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

### **Acquisition of Exterran (Australia) Pty Ltd**

On 1 January 2015, Valmec completed the acquisition of Exterran (Australia) Pty Ltd, a provider of field and workshop maintenance, spare parts, engineering and operations support to the power, oil and gas sectors.

Established in 1999 and with approximately 50 staff located in offices and facilities in Perth, Brisbane and Dalby, EAPL has already bolstered Valmec's existing gas services business with immediate access to new service, maintenance and parts recurring sales mix. The transaction also included exclusive supply and service agreements with Exterran Holdings, a global market leader in full service gas compression and processing. (NYSE: EXH).

With our current markets transitioning from the larger CAPEX cycle to the operations and "stay in business" expenditure phases best suited to Valmec's delivery model, the acquisition has also delivered immediate accretive earnings per share to the Company.

Both the acquisition and the agreements executed with Exterran, are strategically aligned with our mission of delivering value to our clients across every aspect of our operations and the project lifecycle.

### **Sales Bookings**

Together with the purchase of EAPL's service contracts, Valmec secured approximately \$64 million of new contracts and contract variations during the year. The Group's ability to scale and diversify its projects mix by using its in-house delivery capabilities, saw it secure work in new public and private infrastructure and gas service markets together as well as its traditional core sectors.

During the year, Valmec also secured a major contract on APA Group's Eastern Gas Pipeline Project in Western Australia. With over \$50 million of contracts secured with APA Group since 2014 and all contracts either completed or performed to a high standard, Valmec remains well placed to support APA Group with its ongoing expansion programmes.

Valmec also continues to work closely with a number of oil and gas explorers and producers as they develop their current upstream infrastructure development programs. Working closely with these clients places Valmec in a strong position to secure these larger projects when they proceed.

From an identified projects pipeline of over \$650 million, the Group's focused tendering and joint marketing activities with its technology partners will also continue to provide Valmec Limited with an increased exposure to higher value, higher margin contracts further up the supply chain.

### **Safety**

Aligning with its diversification strategy, the Group has continued to develop and implement new HSE processes and systems within its expanded workforce. Safety initiatives coupled with Valmec's "Golden Rules of Safety" program, will ensure we are well positioned during further periods of staff and new project site growth.

With a focus on leading indicators to ensure "Zero Harm" remains front of mind, Valmec has been able to maintain its strong safety performance, recording over 1,400 lost time injury (LTI) free days. The Group also finished the year with a total recordable injury frequency rate (TRIFR) of 1.40.

### **Significant Changes in State of Affairs**

Apart from the acquisition of Valmec Services Pty Ltd by Valmec Limited on 31 December 2014 as discussed herein and the matters referred to above, there have been no significant changes in the state of affairs of the parent entity during the financial year.

### **Events after the Reporting Period**

There have been no matters or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

### **Future Developments, Prospects and Business Strategies**

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated group would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated group.

### **Environmental Issues**

The Group's operations are subject to a range of environmental regulations.

During the financial year, Valmec Limited and its subsidiaries met all reporting requirements under any relevant legislation.

There were no incidents which required reporting.

## Corporate Governance Statement

The Company has considered and set up a framework for embracing the ASX Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition) (“**Recommendations**”). The Company has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Company and the Board, the resources available to the Company and the activities of the Company. Where, after due consideration the Company’s corporate governance policies depart from the Recommendations, the Board has outlined the nature of, and reason for, the adoption of its own practice.

Further information about the Company’s corporate governance practices, charters and policies are available on the Company’s web site at [www.valmec.com.au](http://www.valmec.com.au)

The Board sets out below its “if not why not” report in relation to those matters of corporate governance where the Company’s practices depart from the Recommendations. As the Company’s activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
1.1	A listed entity should disclose: (a) respective roles and responsibilities of its board and management; and  (b) those matters expressly reserved to the board and those delegated to management	Adopted  The Directors have adopted a Board Charter which outlines the role of the Board. Executive Service Agreements outline functions of the executive directors. Non-executive Director appointment letters outline the terms and conditions of non-executive director appointments. As the Company recruits additional management, the roles and responsibilities of these persons will be considered and documented.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director: and  (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director	Adopted  No new directors appointed within last 3 years.  The Company has a Remunerations and Nominations Committee which is responsible for assisting and overseeing the responsibilities in relation to nominating new Board Members and undertaking the appropriate checks before nominating a person for appointment to the Board.  The re-election of Vincent Goss at 2014 AGM Notice of meeting included the required information on his background and other material directorships, term and the Board’s consideration of him as a non-independent director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Adopted  All directors, including Non-Executives have a written agreement with the Company setting out the terms of their appointments.
1.4	The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the	Adopted  The responsibilities of the Company Secretary are contained within the Board Structure Document.

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	proper functioning of the Board.	
1.5	<p>A listed entity should:</p> <p>(a) Have a diversity Policy which includes requirements for Board/Committee to set measurable objectives for achieving gender diversity and assess them and achieving them annually</p> <p>(b) disclose that policy</p> <p>(c) disclose at end of reporting period how objectives are being achieved via:</p> <p>(i) respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how senior exec is defined); or</p> <p>(ii) if entity is a “relevant employer” under the Workplace Gender Equality Act, the entities most recent “Gender Equality</p>	<p>Part Adopted</p> <p>The Company does have a diversity policy which is included on the Valmec Corporate Governance web page.</p> <p>The Company makes the following disclosures regarding the proportion of women employed in the organisation:</p> <ul style="list-style-type: none"> <li>- Women on Board: 0%</li> <li>- Women in Senior Management: 12%</li> <li>- Women in whole organisation: 20%</li> </ul> <p>The Diversity policy currently only has general objectives and not measurable objectives (e.g. the number of women/indigenous etc. on the board, in senior management).</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Adopted</p> <p>The Company has established a Directors and Board Performance Review Charter. The charter empowers the Remuneration and Nominations committee to regularly review the effectiveness and performance of the Board.</p> <p>Apart from remuneration matters, a formal annual review was not undertaken in the reporting period concerned due to significant other business matters being dealt with and the relative size of the board and company structure in place.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Adopted</p> <p>The Company has established a Senior Executives Performance Review charter. The charter empowers the Remuneration and Nominations committee to regularly review the effectiveness and performance of the senior executives. The Managing Director, under the delegated authority of the Board, determines the KPI’s of the senior executive members. The Managing Director, with the Remuneration and Nominations Committee, formally reviews the performance of senior executives annually.</p> <p>The performance evaluation of the senior executives is undertaken annually in the first quarter of each financial year and the Company confirms that this has been done in the reporting period in accordance with that process.</p>
<b>PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
2.1	The board of a listed entity should:	Part Adopted

	<p>(a) Have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent directors; and</li> <li>(ii) is chaired by a independent director;</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(i) the charter of the committee;</li> <li>(ii) the members of the committee; and</li> <li>(iii) as at the end of each reporting period, the number of times the committee met through the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) If it does not have a nomination committee disclose that fact and the processes it employs to address board succession issue and to ensure that the board has the appropriate balance of skills, knowledge experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Company has a Remuneration and Nomination Committee. There are currently only two members (due to size of board):</p> <ul style="list-style-type: none"> <li>- Stephen Zurhaar (Chair – not independent)</li> <li>- Ranko Matic (Independent)</li> </ul> <p>The Remuneration and Nomination Committee Charter is on the company website – refer <a href="http://www.valmec.com.au">www.valmec.com.au</a> .</p> <p>The Committee has met twice in the year ended 30/6/15 with Stephen Zurhaar and Ranko Matic attending both meetings.</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Not Adopted</p> <p>The Company currently has a mixture of skills as provided within its Board Structure document that it aims to achieve. This is currently being reviewed and will then be overlaid into a Board Skills Matrix.</p>
2.3	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) the names of the directors considered by the board to be independent directors</li> <li>(b) if a director has an interest, position, association or relationship as described in Box 2.3 (Factors relevant to assessing independence) but the board is of the opinion that it doesn't compromise the independence of the director, nature of the interest, position, association or relationship and an explanation as to why the board is of that opinion; and</li> <li>(c) the length of service of each director.</li> </ul>	<p>Adopted.</p> <ul style="list-style-type: none"> <li>(a) Ranko Matic – Independent</li> <li>(b) n/a</li> <li>(c) Appointment 6 February 2012</li> </ul>
2.4	<p>A majority of the Board of a listed entity should be independent directors.</p>	<p>Not Adopted.</p> <p>Only 25% of the Board (1 member, Ranko Matic) is considered independent as per box 2.3 of the ASX Corporate Governance Principles and Recommendations.</p>

2.5	The Chair of a Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Not Adopted.  The Chairman Stephen Zurhaar is in a non-executive role, and is separate from the role of CEO/MD. However Mr Zurhaar is not considered to be an independent director upon reference to box 2.3 of ASX Corporate Governance Principles and Recommendations as he is a substantial security holder.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Adopted.  The induction of new directors is currently completed by the Company Secretary. All Directors have access to professional development opportunities to improve on their skills and knowledge to assist in their roles as directors.
<b>PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
3.1	A listed entity should: (a) Have a code of conduct for its directors, senior executives and employees; and  (b) (b) disclose that code of conduct or a summary of it.	Adopted.  Copy of Code of Conduct published on the Company's website and available at <a href="http://www.valmec.com.au">www.valmec.com.au</a>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
4.1	The board of a listed entity should:  (a) have an audit committee which: (i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board;  And disclose: (iii) the charter of the committee (iv) the relevant qualifications and experience of the member of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the member at those meetings; or  (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate	Part Adopted.  The Company currently has a Risk and Audit Committee.  The committee has only 2 members, due to the size of the board and both those members are non-executives, with 1 member considered independent.  The Committee is chaired by Mr Ranko Matic who is the independent member of the Committee. Mr Matic is a CA with 25 years experience.  Mr Stephen Zurhaar is other member of the committee. He is a CPA with relevant experience from his finance and executive roles over the past 25 years.  The Audit and Risk Committee Charter is published on the Company website – refer <a href="http://www.valmec.com.au">www.valmec.com.au</a>  The Risk and Audit Committee has not met in the financial period ending 30 June 2015, as the committee was only formed in May 2015. Prior to this, the full board assumed the responsibility for this role. Since the conclusion of the financial period, the committee has met once with both members attending.

	reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Adopted
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit	Adopted
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
5.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>(b) disclose that policy or a summary of it</li> </ul>	Adopted.  The Company has a Continuous Disclosure Policy which is published on the Company website. Refer <a href="http://www.valmec.com.au">www.valmec.com.au</a>
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Adopted  Refer to the Company's Corporate Governance page on its website – <a href="http://www.valmec.com.au">www.valmec.com.au</a>
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Adopted  The Company has a Shareholder Communication Policy which is published on its website – <a href="http://www.valmec.com.au">www.valmec.com.au</a>
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Adopted  The Company encourages participation at General Meetings upon the dispatch of its Notice of Meeting and advises security holders that they may submit questions they would like to be asked at the meeting to the Board and to the Company's auditors.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Adopted

<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent directors; and</p> <p>(ii) is chaired by an independent director, And disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity’s risk management framework.</p>	<p>Part Adopted</p> <p>The Risk Committee is contained within the Audit and Risk Committee as detailed above in Audit Committee recommendation (4.1)</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Adopted.</p> <p>The Board reviews risk on a regular basis, with an annual review as a minimum. The following policies and procedures form part of the Company’s Risk Management Framework:</p> <ul style="list-style-type: none"> <li>• Audit and Risk Committee Charter</li> <li>• Strategy Planning Committee Charter</li> <li>• Risk Management Policy</li> <li>• Business Insurance Program</li> <li>• Company Business Plan</li> <li>• Procedures to review and approve strategic plans</li> <li>• Controls to manage financial exposures and operational risks</li> </ul> <p>The Company has also recently established a Risk and Audit Committee that will oversee the review of the Risk Management Framework on an Annual Basis.</p> <p>A review of all policies and procedures associated with Risk and Risk Management has been completed in August 2015.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it</p>	<p>Not Adopted</p> <p>The Company does not have a structured formalised internal audit function, however historically the Board has reviewed the internal control systems and risk management policies on an annual basis.</p> <p>The recently formed Risk and Audit Committee has the responsibility to oversee the internal Control and Risk</p>

	employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Management of the Company, as detailed in its charter.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Adopted. The Company has a sustainability policy. A copy of this policy can be found on the Company's website – <a href="http://www.valmec.com.au">www.valmec.com.au</a>
<b>PRINCIPLE 8 – REMUNERATE FARILY AND RESPONSIBLY</b>		
	<b>Recommendation</b>	<b>Valmec Limited Current Practice</b>
8.1	The board of a listed entity should:  (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or  (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Part Adopted.  Company has a Nomination and Remuneration Committee. Refer information as provided under recommendation 2.1 for Remuneration and Nomination Committee.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Adopted.  The Company has a Remuneration Policy which separately addresses the remuneration of Executive Directors and Senior Managers, and Non-Executive Directors.  A copy of the policy is available on the Company website – <a href="http://www.valmec.com.au">www.valmec.com.au</a>
8.3	A listed entity which has an equity-based remuneration scheme should:  (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and  (b) disclose that policy or a summary of it.	Adopted.  The Company has a Remuneration Policy in place (as advised above) which covers the equity-based remuneration scheme.  A copy of this policy is available on the Company website – <a href="http://www.valmec.com.au">www.valmec.com.au</a>

## Directors' Report

### Definitions

For the purposes of this report:

Valmec Limited or Listed Entity or the Company means only the legal entity of Valmec Limited, which is listed on the Australian Stock Exchange (ASX: VMX).

Valmec Group means Valmec Limited and all its subsidiaries. The Consolidated group or Group means the Valmec Group.

Your directors present their report on the consolidated group (referred to herein as the Group) consisting of Valmec Limited (referred to hereafter as the "company" or "parent entity") and its controlled entities for the financial year ended 30 June 2015. The information in the preceding operating and financial review forms part of this directors' report for the financial year ended 30 June 2015 and is to be read in conjunction with the following information:

### General Information

#### Directors

The following persons were directors of Valmec Limited during or since the end of the financial year up to the date of this report:

Stephen Zurhaar – Non-executive Chairman

Steve Dropulich – Managing Director

Vincent Goss – Executive Director

Ranko Matic – Non-executive Director and Company Secretary

Particulars of each director's experience and qualifications are set out later in this report.

#### Dividends Paid or Recommended

In respect of the financial year end 30 June 2015, an interim dividend of \$0.005 per share has been paid (2014: Nil).

#### Indemnifying Officers or Auditor

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

#### Proceedings on Behalf of Company

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

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

## Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 8 to the financial statements.

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services outlined in Note 8 do not compromise the external auditor's independence for the following reasons:

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

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and included within these financial statements.

## Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
29/10/2013	30/06/2018	0.25	500,000
08/01/2014	10/01/2018	0.25	32,740,000
28/11/2014	30/09/2019	0.30	1,698,917
19/6/2015	31/12/2018	0.25	250,000
			<hr/>
			35,188,917
			<hr/>

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

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

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

## ASIC Class Order 98/100 Rounding of Amounts

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

### Information Relating to Directors and Company Secretary

<b>Stephen Zurhaar</b>	–	Non-executive Chairman
Qualifications	–	Fellow of the Australian Institute of Company Directors and a Certified Practising Accountant
Experience	–	<p>Stephen Zurhaar is the Chairman and founder of the Z Corp Group of Businesses and Executive Director of Core.</p> <p>Stephen was also one of the Founders of the HVAC/HPS Group of Companies and from the Group's inception up to its sale to Enerflex Ltd (a TSX listed Public Company) in 2005, was actively involved in its executive management, holding different key roles such as Finance Director, CEO and ultimately Chairman.</p> <p>Stephen was pivotal in negotiating the successful transactions with Enerflex Ltd and with ANZ Private Equity in their purchase of HVAC Construction QLD Pty Ltd.</p> <p>He now consults on strategic and change management for SMEs and Private Equity Groups.</p>
Interest in Shares and Options	–	13,780,631 ordinary shares and options to acquire a further 3,525,000 ordinary shares
Contractual rights to shares	-	<p>- 2,500,000 Class B convertible notes to convert into ordinary shares.</p> <p>- 3,000,000 Class B convertible notes to convert into ordinary shares.</p>
Special Responsibilities	–	Member of remuneration committee, nomination committee, audit and risk committee and mergers and acquisition committee.
Directorships held in other listed entities during the three years prior to the current year	–	None
<b>Steve Dropulich</b>	–	Managing Director
Qualifications	–	Steve is a Chartered Accountant and member of the Australian Institute of Company Directors
Experience	–	Steve most recently held the role of Managing Director/ Vice President of the Enerflex Australasia Group, a multi-discipline Engineering, Construction, Supply and Service organisation servicing the Oil, Gas and Mining Sectors. The Enerflex Australasia Group grew to over 500 employees and annual revenues of over \$300m during Steve's tenure; making it the second largest Regional operation for a TSX listed Company, Enerflex Limited, outside North America.
Interest in Shares and Options	–	5,329,389 ordinary shares and options to acquire a further

		2,281,000 ordinary shares
Interest in performance rights	-	265,000 performance rights
Contractual rights to shares	-	- 1,000,000 Class B convertible notes to convert into ordinary shares.
Special Responsibilities	-	Member of mergers and acquisition committee and strategic planning committee.
Directorships held in other listed entities during the three years prior to the current year	-	None
<b>Vincent Goss</b>	-	Non-executive Director
Qualifications	-	Officer Fellow of the Institution of Engineers Australia and also holds a Builders Registration accreditation in Western Australia
Experience	-	<p>Vincent Goss was one of the founders of the HVAC/HPS Groups of Companies in 1988 originally holding the role of Construction Director through to his latest role as Group Managing Director during the group's transaction with the Enerflex Australasia Group.</p> <p>A Civil Engineer with over 35 years experience in multidiscipline services, Vincent is able to provide businesses with specialist skills in tender design, quality assurance/quality control, safety and environmental systems.</p>
Interest in Shares and Options	-	13,499,572 ordinary shares and options to acquire a further 3,950,000 ordinary shares
Interest in performance rights	-	149,000 performance rights
Contractual rights to shares	-	<p>- 2,500,000 Class B convertible notes to convert into ordinary shares.</p> <p>- 3,000,000 Class B convertible notes to convert into ordinary shares.</p>
Special Responsibilities	-	Member of strategic planning committee.
Directorships held in other listed entities during the three years prior to the current year	-	None
<b>Ranko Matic</b>	-	Non-executive Director and Company Secretary
Qualifications	-	Chartered Accountant
Experience	-	<p>Over 25 years experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Ranko has considerable experience in a range of industries with particular exposure to public listed companies and large private enterprises. He is a Director of a Chartered Accounting firm and a Corporate Advisory company based in Perth, Western Australia and has specialist expertise and exposure in the areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations.</p>

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- Interest in Shares and Options – 325,000 ordinary shares and options to acquire a further 180,000 ordinary shares
- Special Responsibilities – Member of Audit, Finance and Risk committee, remuneration and nomination committee.
- Directorships held in other listed entities during the three years prior to the current year – Non-executive director of East Energy Resources Limited (December 2007 to present)
- Non-executive director of Celsius Coal Limited (December 2010 to March 2012, November 2012 to present)
- Non-executive director of Antilles Oil and Gas NL (April 2014 to August 2014)
- Non-executive director of Argosy Minerals Limited (July 2014 to present)

#### Meetings of Directors

During the financial year, eight meetings of directors, two remuneration and nominations meetings were held. Attendances by each director during the year were as follows:

	Full meetings of directors		Meetings of Committee			
	Held	Attended	Remuneration		Nominations	
			Held	Attended	Held	Attended
Stephen Zurhaar	8	8	2	2	2	2
Steve Dropulich	8	8	-	-	-	-
Vincent Goss	8	8	-	-	-	-
Ranko Matic	8	7	2	2	2	2

## Remuneration Report (Audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly, or indirectly, including all directors.

### Remuneration Policy

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Valmec Limited's directors and its senior management for the financial year ended 30 June 2015.

The prescribed details for each person covered by this report are detailed below under the following headings.

- Remuneration policy for directors and senior executives
- Performance based remuneration
- Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration
- Employment Contracts of Directors and Senior Executives
- Elements of Directors and executive remuneration

### Remuneration Policy for Directors and Senior Executives

The remuneration policy of Valmec Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of Valmec Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group is as follows:

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, and performance incentives.

The remuneration committee reviews executive packages annually and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the consolidated group's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives and bonuses and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Participants in the company's equity based remuneration schemes are not permitted to enter into transactions which limit the economic risk of participating in the scheme.

The executives receive a superannuation guarantee contribution required by the government, which is currently 9.50% of base salary up to a legislated maximum, and do not receive any other retirement benefits. Individuals can choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration and nominations committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and is presently set at an aggregate of \$300,000 per annum. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

#### **Performance Based Remuneration**

The Company has two types of Performance Based Remuneration – Short Term Incentives (STI) and Long Term Incentives (LTI). STIs are payable in cash. Outcomes are based on Valmec's financial and operational performance over the financial period, in addition to individual performance measures. Part of the Company's LTIs which may form part of an Executive's package includes the issue of Performance Rights and Share Options that are subject to the satisfaction of performance hurdles. These LTI instruments are issued to Management for the purposes of aligning their interests with those of shareholders by rewarding long term sustainable shareholder value creation. For the FY15 LTI plan, outcomes are based on Relative Total Shareholder Return TSR measures.

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

The remuneration policy has been tailored to increase goal alignment between shareholders and directors and executives. The total remuneration packages for Directors and Executives may include a combination of the following:

- i. **Fixed component** – Base salary including superannuation. This is expressed as a specific amount that the executive may take in a form agreed with the Company and is determined based on market reference, the scope and nature of the individual's role, their performance and experience.
- ii. **At risk components** – The Board considers that the financial and operational performance and prospects of the Company are strongly linked to creating shareholder wealth. Accordingly, the Board has put in place at-risk components to remuneration based on success in delivering on pre-defined targets. At-risk components are in the form of:
  - a) **Short Term Incentive (STI)** – payable in cash. Outcomes are based on Valmec's financial and operational performance over the financial period, in addition to individual performance measures;
  - b) **Long Term Incentives (LTI)** – includes the issue of Performance Rights and Share Options that are subject to the satisfaction of performance hurdles. These LTI instruments are issued to Management for the purposes of aligning their interests with those of shareholders by rewarding long term sustainable shareholder value creation. For the FY15 LTI plan, outcomes are based on Relative Total Shareholder Return (RTSR) and Earnings Per Share (EPS) measures.

The Company believes this policy will be effective in increasing shareholder wealth over the coming years.

#### **Employment Contracts of Directors and Senior Executives**

The employment contracts typically stipulate 1 month resignation periods other than the Managing Director. The Company may terminate the Managing Director's employment contract without cause by providing 3 months

written notice, and at the end of that notice period, make a payment equal to the salary payable over a 3 month period. The Company may also at its sole discretion terminate an employment contract immediately by making a payment equal to the salary for the relevant period of notice. There are no employment contracts relating to Non-Executive Directors or the Company Secretary other than those outlined above.

#### Performance Income as a Proportion of Total Remuneration

The Company issued equity securities as part of performance income during the year, as detailed in the tables below for certain Directors and Specified Executives.

#### Options Issued as Part of Remuneration

Options to the value of \$19,023 were issued as part of remuneration to the Directors and Specified Executives during the year ended 30 June 2015 (2014: \$58,273).

#### Shares Issued on Exercise of Remuneration Options

No ordinary shares were issued to any of the Directors or Specified Executives during the year in respect of previously issued remuneration options (2014: nil).

#### Performance Rights Issued as Part of Remuneration

Performance Rights to the value of \$14,026 were issued as part of remuneration to the Directors and Specified Executives during the year ended 30 June 2015 (2014: \$nil).

#### Share Appreciation Rights Issued as Part of Remuneration

Share Appreciation Rights to the value of \$5,155 were issued as part of remuneration to the Directors and Specified Executives during the year ended 30 June 2015 (2014: \$nil).

#### Employment Details of Members of Key Management Personnel

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

	Position Held as at 30 June 2015 and any Change during the Year	Contract Details (Duration and Termination)	LTI Proportions of Elements of Remuneration Related to Performance			Fixed remuneration Proportions of Elements of Remuneration Not Related to Performance	
			Cash-based Incentives %	Shares/ Units %	SARs/Options/Rights %	Fixed Salary/ Fees %	Total %
<b>Group KMP</b>							
Stephen Zurhaar	Non-executive Chairman	N/A	-	-	-	100%	100%
Steve Dropulich	Managing Director	N/A	-	-	5%	95%	100%
Vincent Goss	Executive Director	N/A	-	-	4%	96%	100%
Ranko Matic	Non-Executive Director and Company Secretary	N/A	-	-	-	100%	100%
Kelvin Andrijich	Director – Oil and Gas	N/A	-	-	-	100%	100%
Harveer Singh	Chief Financial Officer	N/A	-	-	2%	98%	100%

## Remuneration Expense Details for the Year Ended 30 June 2015

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

### Table of Benefits and Payments for the Year Ended 30 June 2015 and 2014

		Short-term Benefits				Post-employment Benefits		Long-term Benefits		Equity-settled Share-based Payments		Cash-settled Share-based Payments <sup>^^</sup>	Term Benefits	Total
		Salary, Fees and Leave	Profit Share and Bonus	Non-monetary	Other	Super	Other	Incentive Plans	LSL	Shares / Units	Options/ Performance rights <sup>^</sup>			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Group KMP</b>														
Stephen Zurhaar	2015	60,000	-	-	-	-	-	-	-	-	-	-	-	60,000
	2014	60,000	-	-	-	-	-	-	-	-	-	-	-	60,000
Sieve Dropulich	2015	380,000	-	1,800	-	30,000	-	-	-	-	17,717	2,764	-	432,281
	2014	300,000	-	697	-	25,000	-	-	-	-	-	-	-	325,697
Vincent Goss	2015	282,411	-	3,171	-	26,829	-	-	-	-	9,961	1,554	-	323,926
	2014	246,000	-	3,962	-	20,812	-	-	-	-	-	-	-	270,774
Ranko Matic	2015	42,000	-	-	-	-	-	-	-	-	-	-	-	42,000
	2014	42,000	-	-	-	-	-	-	-	-	-	-	-	42,000
Kelvin Andrijich <sup>#</sup>	2015	158,460	-	256	-	11,885	-	-	-	-	-	-	-	170,601
	2014	-	-	-	-	-	-	-	-	-	-	-	-	-
Shane Gonsalves <sup>*</sup>	2015	-	-	-	-	-	-	-	-	-	-	-	-	-
	2014	300,000	-	3,915	-	25,000	-	-	-	-	58,273	-	-	387,188
Harveer Singh	2015	250,000	-	2,328	-	23,750	-	-	-	-	5,371	838	-	282,287
	2014	240,000	-	4,083	-	20,350	-	-	-	-	-	-	-	264,433
Total KMP	2015	1,172,871	-	7,555	-	92,464	-	-	-	-	33,048	5,156	-	1,311,094
	2014	1,188,000	-	12,657	-	91,162	-	-	-	-	58,273	-	-	1,350,092

<sup>#</sup> Commenced employment 9<sup>th</sup> February 2015.

<sup>\*</sup>Change in classification for the year ended 30 June 2015.

<sup>^</sup>Options and performance rights granted are expensed over the performance period.

<sup>^^</sup>SARs granted are expensed over the performance period.

<sup>#</sup>Equity/cash settled share-based payments as per Corporations Regulation 2M.3.03 (1) item 11. These include negative amounts for SARs, options and performance rights forfeited during the year (if any).

## Cash Bonuses, Performance-related Bonuses and Share-based Payments

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

### Share appreciation rights (SARs):

	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant (Note 1)	Percentage Vested/Paid during Year % (Note 2)	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments 30 June 2015 (Note 3)
<b>Group KMP</b>									
Steve Dropulich	SARs	28/11/2014	16,072	1	0%	-	100%	28/11/19	13,308
Vincent Goss	SARs	28/11/2014	9,035	1	0%	-	100%	28/11/19	7,481
Harveer Singh	SARs	28/11/2014	4,872	1	0%	-	100%	28/11/19	4,034

Note 1: The SARs have been granted as part of a sign-on and performance incentive.

Note 2: The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All SARs were issued by Valmec Limited and entitle the holder to cash payment after meeting the vesting conditions.

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

Note 3: The fair value of SARs is remeasured at each reporting date. The amount represents SARs yet to be expensed.

The performance conditions of SARs that will vest depends on:

- Valmec Limited's relative total return to shareholders (RTSR) measured against S&P small ordinaries index for the relevant performance period. 50% shall vest at the 50<sup>th</sup> percentile and 100% shall vest at or above the 85<sup>th</sup> percentile.
- earning per share (EPS) measured by absolute EPS compounded growth of 10% or greater per annum.

### SARs Granted as Remuneration:

	Balance at Beginning of Year	Grant Details			Exercised		Lapsed		Balance at End of Year No.
		Issue Date	No.	Value 30 June 2015 \$ (Note 1)	No.	Value \$	No.	Value \$	
<b>Group KMP</b>									
Steve Dropulich	-	28/11/14	169,000	16,072	-	-	-	-	169,000
Vincent Goss	-	28/11/14	95,000	9,035	-	-	-	-	95,000
Harveer Singh	-	28/11/14	51,230	4,872	-	-	-	-	51,230
	-		315,230	29,979	-	-	-	-	315,230

	Balance at End of Year No.	Vested		Total at End of Year No.	Unvested Total at End of Year No.
		Exercisable No.	Unexercisable No.		
<b>Group KMP</b>					
Steve Dropulich	169,000	-	-	-	169,000
Vincent Goss	95,000	-	-	-	95,000
Harveer Singh	51,230	-	-	-	51,230
	315,230	-	-	-	315,230

Note 1: The fair value of SARs granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied. The fair value of SARs is remeasured at each reporting date.

### Performance rights (PR):

	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant (Note 1)	Percentage Vested/Paid during Year % (Note 2)	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments \$ (Note 3)
<b>Group KMP</b>									
Steve Dropulich	PR	28/11/2014	43,725	1	0%	-	100%	28/11/19	38,206
Vincent Goss	PR	28/11/2014	24,585	1	0%	-	100%	28/11/19	20,357
Harveer Singh	PR	28/11/2014	13,259	1	0%	-	100%	28/11/19	10,979

Note 1: The PR have been granted as part of a sign-on and performance incentive.

Note 2: The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All PR were issued by Valmec Limited and entitle the holder to one ordinary share in Valmec Limited for each PR exercised.

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

Note 3: The amount has been determined as the amount of the grant date fair value of the PR that is yet to be expensed.

The performance conditions of PR that will vest depends on:

- Valmec Limited's relative total return to shareholders (RTSR) measured against S&P small ordinaries index for the relevant performance period. 50% shall vest at the 50<sup>th</sup> percentile and 100% shall vest at or above the 85<sup>th</sup> percentile.
- earning per share (EPS) measured by absolute EPS compounded growth of 10% or greater per annum.

### PR Granted as Remuneration:

	Balance at Beginning of Year	Grant Details			Exercised		Lapsed		Balance at End of Year No.
		Issue Date	No.	Value \$ (Note 1)	No.	Value \$	No.	Value \$	
<b>Group KMP</b>									
Steve Dropulich	-	28/11/14	265,000	43,725	-	-	-	-	265,000
Vincent Goss	-	28/11/14	149,000	24,585	-	-	-	-	149,000
Harveer Singh	-	28/11/14	80,357	13,259	-	-	-	-	80,357
	-		494,357	81,569	-	-	-	-	494,357

	Balance at End of Year No.	Vested		Total at End of Year No.	Unvested Total at End of Year No.
		Exercisable No.	Unexercisable No.		
<b>Group KMP</b>					
Steve Dropulich	265,000	-	-	-	265,000
Vincent Goss	149,000	-	-	-	149,000
Harveer Singh	80,357	-	-	-	80,357
	494,357	-	-	-	494,357

Note 1: The fair value of PR granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

### Options- Performance based:

	Remuneration Type	Grant Date	Grant Value \$	Reason for Grant (Note 1)	Percentage Vested/Paid during Year % (Note 2)	Percentage Forfeited during Year %	Percentage Remaining as Unvested %	Expiry Date for Vesting or Payment	Range of Possible Values Relating to Future Payments \$ (Note 3)
<b>Group KMP</b>									
Steve Dropulich	Options	28/11/2014	59,308	1	0%	-	100%	30/9/19	49,110
Vincent Goss	Options	28/11/2014	33,341	1	0%	-	100%	30/9/19	27,608
Harveer Singh	Options	28/11/2014	17,978	1	0%	-	100%	30/9/19	14,887

Note 1: The options have been granted as part of a sign-on and performance incentive.

Note 2: The dollar value of the percentage vested/paid during the period has been reflected in the Table of Benefits and Payments.

All options were issued by Valmec Limited and entitle the holder to one ordinary share in Valmec Limited for each option exercised.

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

Note 3: The amount has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

The performance conditions of options that will vest depends on:

- Valmec Limited's relative total return to shareholders (RTSR) measured against S&P small ordinaries index for the relevant performance period. 50% shall vest at the 50<sup>th</sup> percentile and 100% shall vest at or above the 85<sup>th</sup> percentile.
- earning per share (EPS) measured by absolute EPS compounded growth of 10% or greater per annum.

### Options Granted as Remuneration

	Balance at Beginning of Year	Grant Details			Exercised		Lapsed		Balance at End of Year No.
		Issue Date	No.	Value \$ (Note 1)	No.	Value \$	No.	Value \$	
<b>Group KMP</b>									
Steve Dropulich	-	28/11/14	756,000	59,308	-	-	-	-	756,000
Vincent Goss	-	28/11/14	425,000	33,341	-	-	-	-	425,000
Harveer Singh	-	28/11/14	229,166	17,978	-	-	-	-	229,166
	-		1,410,166	110,627	-	-	-	-	1,410,166

	Balance at End of Year No.	Vested		Total at End of Year No.	Unvested Total at End of Year No.
		Exercisable No.	Unexercisable No.		
<b>Group KMP</b>					
Steve Dropulich	756,000	-	-	-	756,000
Vincent Goss	425,000	-	-	-	425,000
Harveer Singh	229,166	-	-	-	229,166
	1,410,166	-	-	-	1,410,166

Note 1: The fair value of options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions necessary for vesting are satisfied.

## KMP Options

Details of options held by directors and key management personnel

2015	Balance	Others*	Granted as	Balance	Vested /	Vested/Not
	1/07/2014		remuneration	30/06/2015	Exercisable	exercisable
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
Steve Dropulich	1,525,000	-	756,000	2,281,000	1,525,000	756,000
Stephen Zurhaar	3,525,000	-	-	3,525,000	3,525,000	-
Vincent Goss	3,525,000	-	425,000	3,950,000	3,525,000	425,000
Ranko Matic	180,000	-	-	180,000	180,000	-
<b>Executives</b>						
Kelvin Andrijich	-	50,000	-	50,000	50,000	-
Harveer Singh	12,500	-	229,166	241,666	12,500	229,166
<b>Total</b>	<b>8,767,500</b>	<b>50,000</b>	<b>1,410,166</b>	<b>10,227,666</b>	<b>8,817,500</b>	<b>1,410,166</b>

\*At date of appointment or resignation.

## KMP Shareholdings

Number of shares held by Company directors and key management personnel

2015	Balance	At date of	Received as	Options	Acquired	Balance
	1/07/2014	appointment	remuneration	exercised	during the year	30/06/2015
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
Steve Dropulich	2,615,630	-	-	-	2,713,759	5,329,389
Stephen Zurhaar	5,589,380	-	-	-	8,191,251	13,780,631
Vincent Goss	5,490,896	-	-	-	8,008,676	13,499,572
Ranko Matic	325,000	-	-	-	-	325,000
<b>Executives</b>						
Kelvin Andrijich	-	125,000	-	-	108,730	233,730
Harveer Singh	12,500	-	-	-	-	12,500
<b>Total</b>	<b>14,033,406</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>19,022,416</b>	<b>33,180,822</b>

## Other Equity-related KMP Transactions

Core Equities Pty Ltd, a company of which Stephen Zurhaar and Vincent Goss are directors and shareholders have 10,884,375 (2014: 4,225,000) shares and 0 (2014: 2,620,000) options in the company.

## KMP Share appreciation rights (SARs)

Details of SARs held by directors and key management personnel

2015	Balance	Granted as	Acquired	Balance	Vested /	Vested/Not
	1/07/2014	remuneration	during the year	30/06/2015	Exercisable	exercisable
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
Steve Dropulich	-	169,000	-	169,000	-	-
Stephen Zurhaar	-	-	-	-	-	-
Vincent Goss	-	95,000	-	95,000	-	-
Ranko Matic	-	-	-	-	-	-
<b>Executives</b>						
Kelvin Andrijich	-	-	-	-	-	-
Harveer Singh	-	51,230	-	51,230	-	-
<b>Total</b>	<b>-</b>	<b>315,230</b>	<b>-</b>	<b>315,230</b>	<b>-</b>	<b>-</b>

## KMP Performance rights

Details of performance rights held by directors and key management personnel

2015	Acquired			Vested /		Vested/Not
	Balance 1/07/2014	Granted as remuneration	during the year	Balance 30/06/2015	Exercisable 30/06/2015	exercisable 30/06/2015
	No.	No.	No.	No.	No.	No.
<b>Directors</b>						
Steve Dropulich	-	265,000	-	265,000	-	-
Stephen Zurhaar	-	-	-	-	-	-
Vincent Goss	-	149,000	-	149,000	-	-
Ranko Matic	-	-	-	-	-	-
<b>Executives</b>						
Kelvin Andrijich	-	-	-	-	-	-
Harveer Singh	-	80,357	-	80,357	-	-
<b>Total</b>	-	<b>494,357</b>	-	<b>494,357</b>	-	-

## Other Transactions with KMP and/or their Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

	2015 \$000	2014 \$000
<b>(i) Transactions with related parties:</b>		
<i>Other related parties:</i>		
Contract income – Z Corp Property Group Pty Ltd <sup>[1]</sup>	2,852	-
Interest expense – Z Corp Property Group Pty Ltd <sup>[1]</sup>	148	108
Interest expense – Z Corp Property Group Pty Ltd <sup>[1]</sup>	60	28
Interest expense – Core Equities Pty Ltd <sup>[2]</sup>	72	33
Interest expense – Mecon (WA) Pty Ltd <sup>[4]</sup>	72	33
Interest expense – Cortina Holdings Pty Ltd <sup>[5]</sup>	24	11
Interest expense – Core Equities Pty Ltd <sup>[2]</sup>	-	99
Borrowing costs – Z Corp Property Group Pty Ltd <sup>[1]</sup>	60	-
Borrowing costs – Core Equities Pty Ltd <sup>[2]</sup>	50	-
Borrowing costs – Mecon (WA) Pty Ltd <sup>[4]</sup>	60	-
Consulting fees – Z Corp Property Group Pty Ltd <sup>[1]</sup>	10	-
Rent and outgoings – Z Corp Property Group Pty Ltd <sup>[1]</sup>	230	137
Other fees - Capital and Corporate Advisors Pty Ltd <sup>[3]</sup>	22	6
<b>(ii) Amounts payable to related parties:</b>		
<i>Loans due to other related parties:</i>		
Trade creditors	-	6
Z Corp Property Group Pty Ltd <sup>[1]</sup> – Unsecured loan	1,200	1,600
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Interest accruals	12	-
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Convertible notes	500	500
Core Equities Pty Ltd <sup>[2]</sup> - Convertible notes	600	600
Mecon (WA) Pty Ltd <sup>[4]</sup> - Convertible notes	600	600
Cortina Holdings Pty Ltd <sup>[5]</sup> - Convertible notes	200	200
<b>(iii) Amount due from other related parties:</b>		
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Retention	160	-
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Trade receivable	586	-

[1] Stephen Zurhaar is a director and a shareholder of Z Corp Holdings Pty Ltd and Z Corp Property Group Pty Ltd.

[2] Stephen Zurhaar, and Vincent Goss are directors and shareholders of Core Equities Pty Ltd.

[3] Ranko Matic is a director and shareholder of Capital and Corporate Advisors Pty Ltd.

[4] Vincent Goss is the director and beneficiary of Mecon (WA) Pty Ltd

[5] Steve Dropulich is the director and beneficiary of Cortina Holdings Pty Ltd

**[End of Remuneration Report]**

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.



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**Steve Dropulich, Managing Director**

Dated: 26 August 2015

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### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Valmec Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 26 August 2015

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2015**

	Note	Consolidated	
		2015 \$000	2014 \$000
<b>Continuing operations</b>			
Revenue	3	50,453	50,105
Cost of sales		(41,183)	(41,194)
<b>Gross profit</b>		9,270	8,911
Other income	3	5,295	462
Depreciation and amortisation expense		(1,360)	(788)
Employee benefits expense	4	(5,081)	(3,330)
Finance costs		(853)	(752)
Occupancy expenses		(762)	(605)
Professional fees		(543)	(482)
Other expenses	5	(1,591)	(1,288)
<b>Profit before income tax from continuing operations</b>		4,375	2,128
Income tax benefit	6	1,376	2,920
<b>Profit after income tax from continuing operations</b>		5,751	5,048
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		5,751	5,048
<b>Earnings per share</b>			
Basic earnings per share (cents)	9	8.26	16.41
Diluted earnings per share (cents)	9	8.26	16.41

The accompanying notes form part of these financial statements.

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**Statement of Financial Position  
As at 30 June 2015**

	Note	Consolidated	
		2015 \$000	2014 \$000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	2,909	3,519
Trade and other receivables	11	11,391	11,984
Inventories	12	2,902	56
Other assets	13	687	93
<b>TOTAL CURRENT ASSETS</b>		<b>17,889</b>	<b>15,652</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	9,039	5,371
Deferred tax assets	6	4,899	3,092
Intangible assets	16	1,872	1,829
Other assets	13	115	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,925</b>	<b>10,292</b>
<b>TOTAL ASSETS</b>		<b>33,814</b>	<b>25,944</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	9,904	9,159
Borrowings	18	5,383	3,832
Current tax liabilities	19	-	40
Provisions	20	1,317	411
<b>TOTAL CURRENT LIABILITIES</b>		<b>16,604</b>	<b>13,442</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	18	1,495	3,925
Provisions	20	27	113
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,522</b>	<b>4,038</b>
<b>TOTAL LIABILITIES</b>		<b>18,126</b>	<b>17,480</b>
<b>NET ASSETS</b>		<b>15,688</b>	<b>8,464</b>
<b>EQUITY</b>			
Issued capital	21	6,184	4,361
Reserve	30	118	58
Retained earnings	31	9,386	4,045
<b>TOTAL EQUITY</b>		<b>15,688</b>	<b>8,464</b>

The accompanying notes form part of these financial statements.

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**Statement of Changes in Equity  
For the year ended 30 June 2015**

	Note	Issued Capital \$000	Reserve \$000	Retained Earnings \$000	Total \$000
<b>Consolidated</b>					
<b>Balance at 1 July 2013</b>		1,500	-	(1,003)	497
<b>Comprehensive income</b>					
Profit for the year		-	-	5,048	5,048
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	5,048	5,048
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year		3,131	-	-	3,131
Transaction costs		(270)	-	-	(270)
Share based payment		-	58	-	58
<b>Total transactions with owners and other transfers</b>		2,861	58	-	2,919
<b>Balance at 30 June 2014</b>		4,361	58	4,045	8,464
<b>Balance at 1 July 2014</b>					
<b>Balance at 1 July 2014</b>		4,361	58	4,045	8,464
<b>Comprehensive income</b>					
Profit for the year		-	-	5,751	5,751
Other comprehensive income for the year		-	-	-	-
<b>Total comprehensive income for the year</b>		-	-	5,751	5,751
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Shares issued during the year		1,823	-	-	1,823
Dividends		-	-	(410)	(410)
Share based payment		-	60	-	60
<b>Total transactions with owners and other transfers</b>		1,823	60	(410)	1,473
<b>Balance at 30 June 2015</b>		6,184	118	9,386	15,688

The accompanying notes form part of these financial statements.

**Statement of Cash Flows**  
**For the Year Ended 30 June 2015**

	Note	Consolidated	
		2015 \$000	2014 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		54,134	45,584
Payments to suppliers and employees		(51,437)	(45,538)
Interest received		22	41
Finance costs		(853)	(752)
Income tax refunded / (paid)		325	(389)
<b>Net cash provided by / (used in) operating activities</b>	25a	<u>2,191</u>	<u>(1,054)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(871)	(1,129)
Proceeds from sale of property, plant and equipment		255	-
Acquisition of subsidiary, net cash paid	14(b)	(1,498)	4,609
<b>Net cash (used in) / provided by investing activities</b>		<u>(2,114)</u>	<u>3,480</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of borrowings, net		(293)	(452)
Payment of dividends		(394)	-
<b>Net cash (used in) financing activities</b>		<u>(687)</u>	<u>(452)</u>
Net (decrease)/ increase in cash held		(610)	1,974
Cash and cash equivalents at beginning of financial year		3,519	1,545
Cash and cash equivalents at end of financial year	10	<u>2,909</u>	<u>3,519</u>

The accompanying notes form part of these financial statements

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

The financial report consists of consolidated financial statements for Valmec Limited (“the company”) and its subsidiaries (“group” or “consolidated group”). Valmec Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Stock Exchange. The consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 26 August 2015.

The accounting policies adopted are consistent with those of the previous period.

#### Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

#### Parent Information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated group only. Supplementary information about the parent entity is disclosed in note 2.

#### Reverse Acquisition Accounting

During the previous financial year, the business combination between Valmec Limited and the Marcon Group (Valmec Australia Pty Ltd and Core Plant & Equipment Pty Ltd) became effective. This transaction has been accounted for using the guidelines as set out in Accounting Standard AASB 3 ‘Business Combinations’. In applying the requirements of the guidelines to the Group, both Valmec Limited, the legal acquirer, and Core Plant & Equipment Pty Ltd are deemed to be the accounting acquirees of Valmec Australia Pty Ltd (accounting acquirer). Valmec Limited presents consolidated financial statements on that basis. In accordance with Accounting Standard AASB 3 ‘Business Combinations’, the transaction has been accounted for as a reverse acquisition which requires that:

- The assets and liabilities of the legal subsidiary, Valmec Australia Pty Ltd, shall be recognised and measured in the consolidated financial statements at its pre-combination carrying amounts.
- The retained earnings and other equity balances recognised in the consolidated financial statements shall be the retained earnings and other equity balances of the legal subsidiary, Valmec Australia Pty Ltd immediately before the business combination.
- The amount recognised as issued equity in the consolidated financial statements shall be determined by adding to the issued equity of the legal subsidiary Valmec Australia Pty Ltd immediately before the business combination, the fair value of the acquisition by the accounting acquirees.
- The equity structure is that of the legal parent including equity instruments issued by legal parent to affect the combination.
- The cost of acquisition is based on notional amount of shares that Valmec Australia Pty Ltd would need to issue to acquire majority interest of Valmec Limited shares that shareholders did not own after the acquisition, times the fair value of Marcon Group shares at acquisition date.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

- The results for the year ended 30 June 2014 comprise of the results of Valmec Australia Pty Ltd and the results of Valmec Limited and Core Plant & Equipment Pty Ltd from 13 January 2014 to 30 June 2014.

#### a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Valmec Australia Pty Ltd all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent 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 assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

#### Business combinations

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

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

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

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

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### Goodwill

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

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

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

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### b. Income Tax

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

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

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

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

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

Valmec Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### b. Income Tax (cont.)

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

#### c. Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### d. Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

made to transfer the liability, after taking into account transaction costs and transport costs).

#### d. Fair Value of Assets and Liabilities

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

#### e. Inventories

Inventories are measured at the lower of cost and net realisable value on weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### f. Construction Contracts and Work in Progress

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

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

#### g. Property, Plant and Equipment

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

##### Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

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

#### g. Property, Plant and Equipment

##### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, is depreciated on a straight-line basis over the asset's useful life to the group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Plant and equipment- 2.5 to 20 years

Leasehold improvements- 2.5 to 10 years

Motor Vehicles – 5 years

Office equipment – 3 to 10 years

#### h. Financial Instruments

##### Initial recognition and measurement

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

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

##### Classification and subsequent measurement

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

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

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

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

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

#### h. Financial Instruments (cont.)

##### Classification and subsequent measurement (cont.)

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

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

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Financial liabilities*

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

##### Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

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

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

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

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

#### h. Financial Instruments (cont.)

##### Derecognition

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

#### i. Impairment of Assets

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

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

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

#### j. Employee Benefits

##### Short-term employee benefits

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

#### j. Employee Benefits (cont.)

##### Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

##### Retirement benefit obligations

###### *Defined contribution superannuation benefits*

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.50% (2014: 9.50%) of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the statement of financial position.

##### Termination benefits

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

#### j. Employee Benefits (cont.)

##### Equity-settled compensation

The company operates an employee option plan. The fair value of options is determined using an appropriate pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

#### k. Provisions

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

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

#### l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

#### m. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

Interest revenue is recognised using the effective interest method.

Revenue relating to construction activities is detailed at Note 1(f).

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

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

#### n. Trade and Other Receivables

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

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

#### o. Trade and Other Payables

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

#### p. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

#### q. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### r. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

#### s. Leases

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

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

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

#### t. Rounding of Amounts

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

#### u. New and revised AASB's affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### v. Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

##### *Share-based payment transactions*

The consolidated group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

##### *Estimation of useful lives of assets*

The consolidated group determines the estimated useful lives and related depreciation charges for its plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

##### *Goodwill and other indefinite life intangible assets*

The consolidated group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

##### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### v. Critical Accounting Estimates and Judgments (cont.)

##### *Business combinations*

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

##### *Construction contracts*

When accounting for construction contracts, the contracts are either combined or segmented if this is deemed necessary to reflect the substance of the agreement. Revenue arising from fixed price contracts is recognised in accordance with the percentage of completion method. Stage of completion is agreed with the customer on a work certified to date basis, as a percentage of overall contract. Where a loss is expected to occur from a construction contract, the excess of the total expected contract costs over expected contract revenue is recognised as an expense immediately.

#### w. Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

#### x. Earnings per share

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners 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 financial year.

##### *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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### y. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1 : Summary of Significant Accounting Policies

#### z. Foreign currency translation

The financial statements are presented in Australian dollars, which is Valmec Limited's functional and presentation currency.

##### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### aa. New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated group for the annual reporting period ended 30 June 2015. The consolidated group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated group, are set out below.

##### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated group.

## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 1: Summary of Significant Accounting Policies

#### aa. *New Accounting Standards for Application in Future Periods*

##### *AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated group.

**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 2: Parent Information**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
The following information has been extracted from the books and records of the parent entity - Valmec Limited		
<b>Statement of Financial Position</b>		
<b>ASSETS</b>		
Current assets	2,977	1,080
Non-current assets	6,480	6,150
<b>TOTAL ASSETS</b>	<b>9,457</b>	<b>7,230</b>
<b>LIABILITIES</b>		
Current liabilities	3,809	2,773
Non-current liabilities	750	2,500
<b>TOTAL LIABILITIES</b>	<b>4,559</b>	<b>5,273</b>
<b>EQUITY</b>		
Issued capital	8,088	6,265
Reserve	170	110
Retained earnings	(3,360)	(4,418)
<b>TOTAL EQUITY</b>	<b>4,898</b>	<b>1,957</b>
<b>Statement of Comprehensive Income</b>		
Loss for the year	(1,585)	(1,879)
Other Comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(1,585)</b>	<b>(1,879)</b>

**Contingent Liabilities and Capital expenditure**

There are no contingent liabilities for the parent entity for both financial years ended 30 June 2015 and 30 June 2014 apart from those already disclosed in Note 23.

The parent entity did not have capital expenditure commitments for the acquisition of property, plant and equipment contracted but not provided for both financial years 30 June 2015 and 30 June 2014.

**Guarantees**

Valmec Limited has entered into a deed of cross guarantee with its subsidiaries, Valmec Australia Pty Ltd, Valmec Services Pty Ltd and Core Plant and Equipment Pty Ltd. Refer to Note 14c for further details.

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>

**Note 3: Revenue and Other Income**

**Revenue from continuing operations**

Sales revenue:		
– provision of services	50,453	50,105
	<b>50,453</b>	<b>50,105</b>
Other revenue:		
– interest received	21	41

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

– other revenue	140	223
	<u>161</u>	<u>264</u>
Other income:		
– gain on subsidiary accounted for under common control	-	198
– gain on bargain purchase	5,134	-
Total other income	<u>5,295</u>	<u>462</u>

**Note 4: Employee benefits expenses**

Salaries and wages	4,104	2,310
Superannuation	385	264
Other employee benefits	592	756
	<u>5,081</u>	<u>3,330</u>

**Note 5: Other expenses**

Other expenses mainly comprises of the following:

Insurance expenses	318	528
Office and computer software	322	168
Telephone expenses	140	110
Travel and accommodation	366	142
	<u>366</u>	<u>142</u>

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 6. Tax Expense**

	2015	2014
	\$000	\$000
<b>(a) Income tax recognised in statement of comprehensive income</b>		
Tax (income) / expense comprises:		
- Current tax expense	(324)	172
- Deferred tax -origination and reversal of temporary differences	(1,052)	(3,092)
Total income tax (benefit) /expense	<u>(1,376)</u>	<u>(2,920)</u>

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

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from operations	4,375	2,128
Income tax expense calculated at 30% (2014: 30%)	<u>1,313</u>	<u>638</u>
Add: tax effect of:		
- Non-deductible / Non-allowable items	(1,232)	36
- Recoupment of prior year tax losses not brought to account	(1,192)	(3,016)
- Permanent difference arising from consolidation	-	(59)
- Over-provision for income tax in prior year	(324)	(519)
- Prior year tax losses utilised	59	-
Total income tax (benefit)/expense recognised	<u>(1,376)</u>	<u>(2,920)</u>
The applicable weighted average effective tax rates (payable)	-%	-%

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

**(c) Recognised deferred tax assets and liabilities**

	2015	2015	2014	2014
	\$000	\$000	\$000	\$000
	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Deferred tax assets
Opening balance	-	3,092	-	-
Charged to profit and loss	14	1,038	-	3,092
Recognised upon acquisition of subsidiary	(1,450)	2,227	-	-
Other/payments	-	(20)	-	-
Closing balance	<u>1,436</u>	<u>6,337</u>	<u>-</u>	<u>3,092</u>

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 6: Tax Expense (Cont.)**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
	<b>Deferred Income Tax</b>	<b>Deferred Income Tax</b>
Amounts recognised on the consolidated statement of financial position:		
Deferred tax asset	6,337	3,092
Deferred tax liability	(1,436)	-
	<u>4,899</u>	<u>3,092</u>
 <i>(i) Deferred tax assets</i>		
Provisions	403	260
Income tax losses	5,769	2,832
Others	165	-
Gross deferred tax assets	<u>6,337</u>	<u>3,092</u>
 <i>(ii) Deferred tax liabilities</i>		
Inventory	(394)	-
Property, plant and equipment	(970)	-
Others	(72)	-
Set-off of deferred tax liabilities	<u>(1,436)</u>	<u>-</u>
Net deferred tax assets	<u>4,899</u>	<u>3,092</u>

**Note 7: Key Management Personnel Compensation**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2015.

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

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Short-term employee benefits	1,181	1,201
Post-employment benefits	92	91
Share-based payments	38	58
Total KMP compensation	<u>1,311</u>	<u>1,350</u>

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 7: Key Management Personnel Compensation (Cont.)**

**Short-term employee benefits**

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

**Post-employment benefits**

These amounts are the current-year's estimated cost of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

**Share-based payments**

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

	2015 \$000	2014 \$000
<b>Note 8: Auditors' Remuneration</b>		
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	87	48
– taxation services	35	-
	122	48

**Note 9: Earnings per Share**

a.	Reconciliation of earnings to profit or loss:		
	Profit	5,751	5,048
	Earnings used to calculate basic EPS	5,751	5,048
	Earnings used in the calculation of dilutive EPS	5,751	5,048
		<b>No.</b>	<b>No.</b>
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	69,662,758	30,726,026
	Weighted average number of dilutive options outstanding	-	-
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	69,662,758	30,726,026

**Notes to the Financial Statements for the Year Ended 30 June 2015**

	Note	2015 \$000	2014 \$000
<b>Note 10: Cash and Cash Equivalents</b>			
Cash at bank and on hand		2,909	3,519
<b>Reconciliation of cash</b>			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		2,909	3,519
<b>Note 11: Trade and Other Receivables</b>			
<b>CURRENT</b>			
Trade receivables		5,539	4,536
Provision for impairment		-	-
Other receivable		-	2
		5,539	4,538
Amounts due from customers for construction contracts	11a	5,852	7,446
Provision for impairment		-	-
		5,852	7,446
Total current trade and other receivables		11,391	11,984
<b>a. Construction Contracts</b>			
Contract costs incurred		38,791	41,194
Recognised profits		4,711	8,911
		43,502	50,105
Progress billings		(38,134)	(43,645)
		5,368	6,460
Amounts due from customers for contract work		5,368	6,460
Amounts due to customers for contract work		-	-
		5,368	6,460
Retentions on construction contracts in progress		484	986
Progress billings and advances received and receivable on construction contracts in progress		5,852	7,446

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 11: Trade and Other Receivables (Cont.)**

**b. Provision for Impairment of Receivables**

Movement in the provision for impairment of receivables is as follows:

	<b>Note</b>	<b>Opening Balance 01/07/2013 \$000</b>	<b>Charge for the Year \$000</b>	<b>Amounts Written Off \$000</b>	<b>Closing Balance 30/06/2014 \$000</b>
(i)	Current trade receivables	-	65	(65)	-
		-	65	(65)	-
	<b>Note</b>	<b>Opening Balance 01/07/2014 \$000</b>	<b>Charge for the Year \$000</b>	<b>Amounts Written Off \$000</b>	<b>Closing Balance 30/06/2015 \$000</b>
(ii)	Current trade receivables	-	-	-	-
		-	-	-	-

**Credit risk**

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within this note. The class of assets described as "trade and other receivables" is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has no credit risk exposures outside of Australia given that there are no operations outside of this region.

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

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

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 11: Trade and Other Receivables (Cont.)**

	Gross Amount \$000	Past Due and Impaired \$000	Past Due but Not Impaired (Days Overdue)				Within Initial Trade Terms \$000
			< 30 \$000	31-60 \$000	61-90 \$000	> 90 \$000	
<b>2015</b>							
Trade and other receivables	5,539	-	334	35	5	108	5,057
Amounts due from customers for construction contracts	5,852	-	-	-	-	-	5,852
<b>Total</b>	<b>11,391</b>	<b>-</b>	<b>334</b>	<b>35</b>	<b>5</b>	<b>108</b>	<b>10,909</b>
<b>2014</b>							
Trade and other receivables	4,538	-	-	259	-	-	4,279
Amounts due from customers for construction contracts	7,446	-	-	-	-	-	7,446
<b>Total</b>	<b>11,984</b>	<b>-</b>	<b>-</b>	<b>259</b>	<b>-</b>	<b>-</b>	<b>11,725</b>

**c. Financial Assets Classified as Loans and Receivables**

	Note	2015 \$000	2014 \$000
Trade and other receivables:			
- total current		11,391	11,984
- total non-current		-	-
		<u>11,391</u>	<u>11,984</u>
Less construction contracts in progress		(5,852)	(7,446)
		<u>5,539</u>	<u>4,538</u>

**Note 12: Inventories**

**CURRENT**

At cost:

Raw materials and stores	1,845	56
Work in progress	1,057	-
	<u>2,902</u>	<u>56</u>

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

	Note	2015 \$000	2014 \$000
<b>Note 13: Other Assets</b>			
<b>CURRENT</b>			
Prepayments		339	93
Bank guarantee		304	-
Deposits		44	-
		687	93
<b>NON-CURRENT</b>			
Prepayments		115	-

**Note 14: Interests in Subsidiaries**

**a. Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2015	2014
		%	%
Valmec Australia Pty Ltd	Australia	100	100
Core Plant and Equipment Pty Ltd	Australia	100	100
Valmec Services Pty Ltd	Australia	100	-
Valmec Holdings Pty Ltd	Australia	100	100
Peppers & Rogers Group Pty Limited*	Australia – dormant	-	55
Connxion Networks Limited	Hong Kong – dormant	100	100

\*Deregistered during the year

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 14: Interests in Subsidiaries (Cont.)**

**b. Acquisition of Controlled Entities**

On 31 December 2014 the consolidated group completed the acquisition of the business of Valmec Services Pty Ltd. The company provides field and workshop maintenance, spare parts, engineering and operations support to the power, oil and gas sectors. The consideration transferred for this acquisition was \$1.5 million in cash.

The fair value of the assets and liabilities of Valmec Services Pty Ltd acquired at acquisition date are as follows:

	<b>Fair value</b>
	<b>\$000</b>
<b>Consideration transferred</b>	
Cash	1,500
	<u>1,500</u>
<b>Less:</b>	
Cash and cash equivalents	2
Trade and other receivables	3,018
Inventories	1,893
Plant and equipment	4,434
Deferred tax asset	2,228
Trade and other payables	(1,427)
Provisions	(2,063)
Deferred tax liability	(1,451)
	<u>6,634</u>
<b>Gain on bargain purchase on acquisition of subsidiary</b>	
Consideration transferred	1,500
Less fair value of identifiable tangible net assets acquired	(6,634)
Net gain on bargain purchase	<u>(5,134)</u>
<b>Net cash outflow on acquisition of subsidiaries</b>	
Consideration paid in cash	1,500
Less cash and cash equivalent balances acquired	(2)
	<u>(1,498)</u>

Revenue of Valmec Services Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 31 December 2014 amounted to \$12,590,000. Profit after tax of Valmec Services Pty Ltd included in consolidated profit of the Group of \$2,217,000 due to tax consolidation effected by the group since the acquisition date.

Had the results of Valmec Services Pty Ltd been consolidated from 1 July 2014, revenue of the consolidated group would have been \$21,932,000 and consolidated profit would have been \$2,034,000 for the year ended 30 June 2015.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 14: Interests in Subsidiaries (Cont.)**

**b. Acquisition of Controlled Entities (Cont.)**

During the previous year, Valmec Limited, the legal parent, completed the acquisition of Valmec Australia Pty Ltd and Core Plant and Equipment Pty Ltd. The acquisition was accounted for as business combination in accordance with AASB 3 Business Combinations using the principles of reverse acquisition accounting. The accounting acquirer was Valmec Australia Pty Ltd and accounting acquirees were Valmec Limited and Core Plant & Equipment Pty Ltd. Further to that, the acquisition of Core Plant & Equipment Pty Ltd by Valmec Australia Pty Ltd was accounted for as common control accounting.

The fair value of the assets and liabilities of Valmec Limited acquired at acquisition date are as follows:

	<b>Fair Value \$000</b>
Purchase consideration:	
– 8,661,582 shares to be issued at fair value	583
– contingent consideration	1,149
	<u>1,732</u>
<b>Less:</b>	
Cash and cash equivalents	4,602
Trade and other receivables	28
Trade and other payables	(4,617)
Provision	(10)
Identifiable assets acquired and liabilities assumed of Valmec Limited	<u>3</u>
<b>Goodwill</b>	<u>1,729</u>

The transaction also includes contingent consideration (details are included in the Company's announcement on 2 September 2013) which meets the definition of a financial liability. This has been disclosed at Note 17.

The assets and liabilities of Core Plant & Equipment Pty Ltd accounted for as common control accounting as follows:

	<b>\$000</b>
Cash and cash equivalents	7
Trade and other receivables	202
Plant and equipment	2,839
Borrowings	(1,798)
Trade and other payables	(943)
Provision	(109)
Gain on acquisition	<u>198</u>

Revenue of Valmec Limited and Core Plant & Equipment Pty Ltd included in the consolidated revenue of the Group since the acquisition date on 13 January 2014 amounted to \$94,000. Loss after tax of Valmec Limited and Core Plant & Equipment Pty Ltd included in consolidated profit of the Group of \$920,350 due to tax consolidation effected by the group since the acquisition date.

Had the results of Valmec Limited and Core Plant & Equipment Pty Ltd been consolidated from 1 July 2013, revenue of the consolidated group would have been \$50,109,000 and consolidated profit would have been \$3,734,000 for the year ended 30 June 2014.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 14: Interests in Subsidiaries (Cont.)**

**c. Deed of Cross Guarantee**

Valmec Limited has entered into a deed of cross guarantee with its subsidiaries Valmec Australia Pty Ltd, Valmec Services Pty Ltd and Core Plant & Equipment Pty Ltd and relief was obtained from preparing financial statements for Valmec Australia Pty Ltd, Valmec Services Pty Ltd and Core Plant & Equipment Pty Ltd under ASIC Class Order 98/1418. Due to the other entities in the consolidated group being dormant, the financial information required (being the statement of comprehensive income, statement of changes in equity and the statement of financial position) for the Deed of Cross Guarantee note are materially the same as the information contained in this consolidated financial report.

**Note 15: Property, Plant and Equipment**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$000</b>	<b>\$000</b>
Leasehold improvement			
At cost		413	394
Accumulated depreciation		(88)	(47)
Total		325	347
Plant and equipment			
At cost		12,049	5,342
Accumulated depreciation		(8,297)	(1,471)
Total		3,752	3,871
Motor vehicles			
At cost		1,519	971
Accumulated depreciation		(1,025)	(381)
Total		494	590
Office equipment			
At cost		1,440	742
Accumulated depreciation		(840)	(179)
Total		600	563
Total property, plant and equipment, at net book value		5,171	5,371
Add: Work-in-progress, at cost		3,868	-
Total property, plant and equipment		9,039	5,371

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 15: Property, Plant and Equipment (Cont.)**

**(i) Movements in Carrying Amounts**

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

	Leasehold improvement \$000	Plant and Equipment \$000	Motor Vehicles \$000	Office Equipment \$000	Work- in - progress	Total \$000
<b>Consolidated Group:</b>						
Balance at 1 July 2013	183	857	621	274	-	1,935
Additions	-	860	143	394	-	1,397
Disposals	-	-	-	-	-	-
Additions through business combinations	185	2,642	-	-	-	2,827
Depreciation expense	(21)	(488)	(174)	(105)	-	(788)
Balance at 30 June 2014	347	3,871	590	563	-	5,371
Additions	-	638	13	143	34	828
Disposals	-	(192)	(44)	(1)	-	(237)
Additions through business combinations	14	350	176	60	3,834	4,434
Depreciation expense	(36)	(915)	(241)	(165)	-	(1,357)
Balance at 30 June 2015	325	3,752	494	600	3,868	9,039

**Note 16: Intangible Assets**

	Note	2015 \$000	2014 \$000
<b>Goodwill:</b>			
Cost		1,829	1,829
Accumulated impairment losses		-	-
Net carrying amount		1,829	1,829
<b>Computer software:</b>			
Cost		46	-
Accumulated amortisation		(3)	-
Net carrying amount		43	-
Total		1,872	1,829

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 16: Intangible Assets (Cont.)

#### Computer software

<b>30 June 2015</b>	<b>\$000</b>
Balance at the beginning of the year	-
Addition	46
Amortisation	(3)
Balance at the end of the year	<u>43</u>

#### Goodwill

##### 30 June 2014

Balance at the beginning of the year	100
Acquisitions through business combinations	1,729
Impairment losses	-
Balance at the end of the year	<u>1,829</u>

##### 30 June 2015

Balance at the beginning of the year	1,829
Acquisitions through business combinations	-
Impairment losses	-
Balance at the end of the year	<u>1,829</u>

#### Impairment disclosures

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

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Services to the oil, gas and resources sectors segment	1,829	1,829
Total	<u>1,829</u>	<u>1,829</u>

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period with the period.

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

	<b>Growth Rate</b>	<b>Discount Rate</b>
Services to the oil, gas and resources sectors segment	1%	15.04%

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

No reasonable change in any of the key assumptions would result in an impairment.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 17: Trade and Other Payables**

	Note	2015 \$000	2014 \$000
<b>CURRENT</b>			
Unsecured liabilities:			
Trade payables		6,080	5,048
Sundry payables and accrued expenses		3,824	3,032
Contingent consideration	14	-	1,079
		9,904	9,159
Financial liabilities at amortised cost classified as trade and other payables			
Trade and other payables:			
- total current		9,904	9,159
- total non-current		-	-
		9,904	9,159
Less: construction contract advances and payables		-	-
Less: other payables (net amount of GST payable)		-	-
Financial liabilities as trade and other payables		9,904	9,159

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 18: Borrowings

	Note	2015 \$000	2014 \$000
<b>CURRENT</b>			
Lease liability - secured (vi)		795	682
Business loan – secured (i)		833	-
Convertible notes – Class A (iv)- unsecured		-	1,500
Convertible notes – Class B (v) - unsecured		2,500	-
Related party loan (ii)- unsecured		1,200	1,600
Other borrowings (iii) - unsecured		55	50
		5,383	3,832
<b>NON-CURRENT</b>			
Lease liability – secured (vi)		745	1,425
Business loan – secured (i)		750	-
Convertible notes – Class B (v) - unsecured		-	2,500
Total non-current borrowings		1,495	3,925
Total borrowings		6,878	7,757

- (i) Bankwest loan to fund the acquisition of Valmec Services Pty Ltd and working capital. The interest rate is based on BBSY at margin of 2.25% p.a.
- (ii) Related party loan with Z Corp Pty Ltd has an interest rate of 12% (2014: 8.2%).
- (iii) Relates to credit card balances and insurance premium funding.
- (iv) Class A Convertible Note have a face value of \$0.20 each at an interest rate of 12% (2014:12%) p.a. Each Note converts into 1 Share (i.e. each Share has an issue price of \$0.20). The maturity date of Class A notes was 30 September 2014. On 7 October 2014, \$745,000 has been converted into ordinary shares and the balance of \$755,000 has been paid out.
- (v) Class B Convertible Notes have a face value of \$0.20 each at an interest rate of 12% (2014:12%) p.a. Each Note converts into 1 Share (i.e. each Share has an issue price of \$0.20). The maturity date of Class B notes is 30 September 2015.
- (vi) Hire purchase agreements have an average term of 3 to 6 years. The hire purchase liability is secured by a charge over the underlying hire purchase assets. The interest rate is in the range of 4.98% to 20% (2014: 4.98% to 20%).

#### Collateral provided:

The facilities are secured over the first registered general securities interest over the consolidated group assets. Covenants imposed by the bank require the following (calculated on quarterly basis):

- Fixed charge cover ratio is greater than 1.50x;
- Working capital ratio is not exceed 50% of the acceptable trade debtors (excluding >90 days debtors);
- Debt to EBITA ratio is not to exceed 2.50x; and
- Minimum EBITA for Valmec Services Pty Ltd is \$1m per calendar year in 2015, 2016, measured at 31 December in each of these years.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 18: Borrowings (cont'd)**

**Financing agreement**

	Note	2015 \$000	2014 \$000
<b>Total facilities</b>			
Bank Overdraft		3,000	3,000
Bank Guarantee		5,000	5,000
Bank Loans		3,000	3,000
Credit Cards		200	150
		11,200	11,150

**Used at reporting date**

Bank Overdraft		-	-
Bank Guarantee		1,219	-
Bank Loans		1,220	1,657
Credit Cards		-	-
		2,439	1,657

**Unused at reporting date**

Bank Overdraft		3,000	3,000
Bank Guarantee		3,781	5,000
Bank Loans		1,780	1,343
Credit Cards		200	150
		8,761	9,493

**Note 19: Current Tax provision**

**CURRENT**

Income tax payable		-	40
		-	40

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

<b>Note 20: Provisions</b>	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Employees benefits	1,172	524
Others	172	-
	<u>1,344</u>	<u>524</u>

**Employee benefits**

*Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated group does not have an unconditional right to defer settlement. However, based on past experience, the consolidated group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

Employee benefits obligation expected to be settled after 12 months	<u>27</u>	<u>247</u>
---	-----------	------------

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(j).

**Others**

Opening balance at July	-	-
Additional provisions	1,345	-
Amounts used	(763)	-
Unused amounts reversed	(410)	-
Balance at June	<u>172</u>	<u>-</u>

**Analysis of total provisions**

Current	1,317	411
Non-current	27	113
	<u>1,344</u>	<u>524</u>

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 21: Issued Capital

	2015 \$000	2015 No.	2014 \$000	2014 No.
At the beginning of the reporting period	4,361	44,812,139	1,500	1,500,000
13/1/2014 Acquisition of Valmec Australia Pty Ltd				
– Elimination of existing Valmec Australia Pty Ltd shares	-	-	-	(1,500,000)
– Existing Valmec Limited share on acquisition	-	-	-	14,072,139
– Issue of Valmec Limited shares on acquisition of Valmec Australia Pty Ltd	-	-	583	18,000,000
– Issue of shares	-	-	2,548	12,740,000
– Conversion of Class A Convertible notes	745	3,725,000	-	-
– Contingent consideration on Marcon acquisition	1,078	33,296,878	-	-
Share issue costs	-	-	(270)	-
At the end of the reporting period	<u>6,184</u>	<u>81,834,017</u>	<u>4,361</u>	<u>44,812,139</u>

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

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

#### a. Options

For information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report.

#### b. Capital Management

The Group controls its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 21: Issued Capital (Cont.)**

	Note	2015 \$000	2014 \$000
Total borrowings	17,18	16,782	11,916
Less cash and cash equivalents	10	(2,909)	(3,519)
Net debt		13,873	8,397
Total equity		15,688	8,464
Total capital		29,561	16,861
Gearing ratio		47%	50%

**Note 22: Commitments**

**a. Finance Lease Commitments**

Payable – minimum lease payments:

– not later than 1 year	855	775
– between 2 and 5 years	771	1,501
Minimum lease payments	1,626	2,276
Less future finance charges	(85)	(169)
Present value of minimum leave payments	1,541	2,107

**b. Operating Lease Commitments**

Non-cancellable operating leases contracted for but not recognised in the financial statements

Payable – minimum lease payments:

– not later than 1 year	1,107	443
– between 2 and 5 years	3,273	199
– later than 5 years	1,365	-
	5,745	642

Operating lease commitments includes contracted amounts for various warehouses and offices under non-cancellable operating leases expiring within one to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Finance lease commitments includes contracted amounts for various plant and equipment secured under finance leases expiring within one to five years. Under the terms of the leases, the consolidated group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

**Note 23: Contingent Liabilities and Contingent Assets**

The consolidated group has given bank guarantees as at 30 June 2015 of \$1,218,949 (2014: \$3,699,941) to various customers.

As disclosed in Note 14(c), Valmec Limited entered into a deed of cross guarantee with its subsidiaries - Valmec Australia Pty Ltd, Valmec Services Pty Ltd and Core Plant & Equipment Pty Ltd

## Notes to the Financial Statements for the Year Ended 30 June 2015

Other than the above, there were no material contingent liabilities or assets as at 30 June 2015 and 30 June 2014.

### Note 24: Operating Segments

Management has determined the operating segments based on reports reviewed by the Board of Directors for making strategic decisions. The current Board of Directors monitors the business based on operational and geographic factors and have determined that there is only one relevant business segment being, Valmec Limited, which provides services to the oil, gas and resources sectors in Australia.

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located. Operating revenues of approximately \$19,201,000 (2014 - \$19,364,000) are derived from major external customers.

All the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

### Note 25: Cash Flow Information

	Note	2015 \$000	2014 \$000
<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>			
Profit after income tax		5,751	5,048
Non-cash flows in profit:			
– share based payment		88	58
– depreciation and amortisation		1,360	788
– gain on acquisition		(5,134)	(197)
– re-measurement of contingent liabilities		-	(71)
– net gain on disposal of property, plant and equipment		(21)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
– trade and term receivables		3,564	(4,632)
– inventories		(953)	-
– other assets		(663)	(44)
– trade payables and accruals		513	1,244
– income taxes payable		(1,072)	(218)
– increase/(decrease) in provisions		(1,242)	61
– deferred tax assets		-	(3,091)
Cash flow provided by/ (used in) operating activities		2,191	(1,054)

**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 25: Cash Flow Information (Cont.)**

**b. Acquisition of Entities**

On 31 December 2014 the consolidated group completed the acquisition of the business of Valmec Services Pty Ltd. The company provides field and workshop maintenance, spare parts, engineering and operations support to the power, oil and gas sectors. The consideration transferred for this acquisition was \$1.5 million in cash.

During the previous year, Valmec Limited, the legal parent, completed the acquisition of Valmec Australia Pty Ltd and Core Plant and Equipment Pty Ltd. The acquisition was accounted for as business combination in accordance with AASB 3 Business Combinations using the principles of reverse acquisition accounting. The accounting acquirer was Valmec Australia Pty Ltd and accounting acquirees were Valmec Limited and Core Plant & Equipment Pty Ltd. Further to that, the acquisition of Core Plant & Equipment Pty Ltd by Valmec Australia Pty Ltd was accounted for as common control accounting.

Refer to note 14 (b) for details.

**c. Non-cash Financing and Investing Activities**

During the year the consolidated group acquired plant and equipment with an aggregate value of \$130,877 (2014: \$258,984) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

During the previous year, 18,000,000 ordinary shares were issued at \$0.20 as part of the consideration for the purchase of the Marcon Group.

**Note 26: Share-based Payments**

**Share appreciation rights**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Employee benefit expense	29	-
Carrying amount of liabilities:		
At grant date	29	-
At 30 June	29	-

In 2014, the board decided to reward the senior management for their contribution to the performance of the group by granting 1,750,453 share appreciation rights (SARs). The right entitle the employees to cash payment after meeting the vesting conditions.

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## Notes to the Financial Statements for the Year Ended 30 June 2015

The amount of SARs that will vest depends on:

- Valmec Limited's relative total return to shareholders (RTSR) measured against S&P small ordinaries index for the relevant performance period. 50% shall vest at the 50<sup>th</sup> percentile and 100% shall vest at or above the 85<sup>th</sup> percentile.
- earning per share (EPS) measured by absolute EPS compounded growth of 10% or greater per annum.

The SARs only vested and be capable of being exercised at the following rate:

Date of vesting	Rate of vesting
30 June 2017	1/3
30 June 2018	1/3
30 June 2019	1/3

The fair value of SARs using the following inputs:

At grant date:

	<b>SARs (TSR)* Granted 28 November 2014</b>	<b>SARs (EPS) Granted 28 November 2014</b>
Expected volatility (%)	70	70
Risk free interest rate (%)	2.40	2.40
Weighted average expected life (years)	4.6	4.6
Expected dividends	Nil	Nil
Exercise price (cents)	20	20
Share price at grant date (cents)	19	19
Fair value (cents)	8.96	10.65
Number of SARs	875,226	875,226
Expiry date	5 years from grant date	5 years from grant date

\*The fair value includes Valmec Limited's RTSR.

At 30 June 2015:

	<b>SARs (TSR)* 30 June 2015</b>	<b>SARs (EPS) 30 June 2015</b>
Expected volatility (%)	70	70
Risk free interest rate (%)	2.3	2.3
Weighted average expected life (years)	4	4
Expected dividends	Nil	Nil
Exercise price (cents)	20	20
Share price at grant date (cents)	20	20
Fair value (cents)	8.26	10.76
Number of SARs	875,226	875,226
Expiry date	5 years from grant date	5 years from grant date

\*The fair value includes Valmec Limited's RTSR.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Performance rights**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Employee benefit expense	17	-

The establishment of the Valmec Limited Employee Option Plan was approved by shareholders at the 2014 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior management and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of performance rights that will vest depends on:

- Valmec Limited's relative total return to shareholders (RTSR) measured against S&P small ordinaries index for the relevant performance period. 50% shall vest at the 50<sup>th</sup> percentile and 100% shall vest at or above the 85<sup>th</sup> percentile.
- earning per share (EPS) measured by absolute EPS compounded growth of 10% or greater per annum.

Performance rights are granted under the plan for no consideration and carry no dividend or voting rights.

The performance rights only vested and be capable of being exercised at the following rate:

Date of vesting	Rate of vesting
30 June 2017	1/3
30 June 2018	1/3
30 June 2019	1/3

Below are summaries of performance rights granted under the plan.

	<b>2015</b>		<b>2014</b>	
	<b>Weighted Average</b>	<b>Number</b>	<b>Weighted Average</b>	<b>Number</b>
	<b>Exercise Price</b>		<b>Exercise Price</b>	
At beginning of year	-	-	-	-
Granted during the year	Nil	595,607	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
At end of year	Nil	595,607	-	-
Vested and exercisable	-	-	-	-

Performance rights outstanding at the end of the year have the following expiry date and exercise prices.

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Performance</b>	<b>Performance</b>
			<b>rights</b>	<b>rights</b>
			<b>30 June 2015</b>	<b>30 June 2015</b>
28 November 2014	30 June 2019	Nil	595,607	-

The following table sets out the assumptions made in determining the fair value of the options granted during the financial year:

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

	<b>Performance rights (TSR)* Granted 28 November 2014</b>	<b>Performance rights (EPS) Granted 28 November 2014</b>
Expected volatility (%)	70	70
Risk free interest rate (%)	2.40	2.40
Weighted average expected life (years)	4.6	4.6
Expected dividends	Nil	Nil
Exercise price (cents)	-	-
Share price at grant date (cents)	19	19
Fair value (cents)	14	19
Number of performance rights	297,804	297,804
Expiry date	30 June 2019	30 June 2019

\*The fair value includes Valmec Limited's RTSR.

**Employee Option Plan- performance based**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
Employee benefit expense	22	-

The establishment of the Valmec Limited Employee Option Plan was approved by shareholders at the 2013 annual general meeting. The Employee Option Plan is designed to provide long-term incentives for senior management and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on:

- Valmec Limited's relative total return to shareholders (RTSR) measured against S&P small ordinaries index for the relevant performance period. 50% shall vest at the 50<sup>th</sup> percentile and 100% shall vest at or above the 85<sup>th</sup> percentile.
- earning per share (EPS) measured by absolute EPS compounded growth of 10% or greater per annum.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

The option only vested and be capable of being exercised at the following rate:

Date of vesting	Rate of vesting
30 June 2017	1/3
30 June 2018	1/3
30 June 2019	1/3

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

Below are summaries of option granted under the plan.

	2015		2014	
	Weighted Average		Weighted Average	
	Exercise Price	Number	Exercise Price	Number
At beginning of year	-	-	-	-
Granted during the year	\$0.30	1,698,917	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
At end of year	\$0.30	1,698,917	-	-
Vested and exercisable	-	-	-	-

Share option outstanding at the end of the year have the following expiry date and exercise prices.

Grant date	Expiry date	Exercise price	Share options 30 June 2015	Share options 30 June 2015
28 November 2014	30 September 2019	\$0.30	1,698,917	-

The following table sets out the assumptions made in determining the fair value of the options granted during the financial year:

	Options (TSR)* Granted 28 November 2014	Options (EPS) Granted 28 November 2014
Expected volatility (%)	70	70
Risk free interest rate (%)	2.40	2.40
Weighted average expected life of options (years)	4.6	4.6
Expected dividends	Nil	Nil
Option exercise price (cents)	30	30
Share price at grant date (cents)	19	19
Fair value of option (cents)	6.8	8.89
Number of options	849,458	849,458
Expiry date	30 June 2019	30 June 2019

\*The fair value includes Valmec Limited's RTSR.

**Employee Option Plan- non-performance based**

	2015 \$000	2014 \$000
Employee benefit expense	20	58

30 June 2015:

On 19 June 2015, 250,000 share options were granted to an employee under the Valmec Limited employee option plan to take up ordinary shares at an exercise price of \$0.25 each. The options are exercisable on or before 31 December 2018.

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## Notes to the Financial Statements for the Year Ended 30 June 2015

30 June 2014:

On 29 October 2013, 500,000 share options were granted to a KMP under the Valmec Limited employee option plan to take up ordinary shares at an exercise price of \$0.25 each. The options are exercisable on or before 30 June 2018.

The options hold no voting or dividend rights and are not transferable. The company established the Valmec Limited Employee Option Plan on 3 October 2013 as an employee incentive scheme. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board.

A summary of the movements of all company employee options issues is as follows:

	Number	Weighted Average Exercise Price
<b>Options outstanding as at 1 July 2013</b>	-	-
Consolidated 1:40	-	-
Granted	500,000	0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
<b>Options outstanding as at 30 June 2014</b>	500,000	0.25
<b>Options outstanding as at 1 July 2014</b>	500,000	0.25
Granted	250,000	0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
<b>Options outstanding as at 30 June 2015</b>	250,000	0.25
Options exercisable as at 30 June 2015	750,000	0.25
Options exercisable as at 30 June 2014	500,000	0.25

The following table sets out the assumptions made in determining the fair value of the options granted during the financial year:

	Options Granted 29 October 2013	Options Granted 19 June 2015
Expected volatility (%)	76.90	70
Risk free interest rate (%)	3.41	1.88
Weighted average expected life of options (years)	4.7	3.5
Expected dividends	Nil	Nil
Option exercise price (cents)	25	25
Share price at grant date (cents)	20	18.5
Fair value of option (cents)	11.65	7.9
Number of options	500,000	250,000
Expiry date	30 June 2018	31 December 2018
Vesting date	29 October 2013	19 June 2015

The weighted average remaining contractual life of options outstanding at year-end was 3 (2014:4) years. The exercise price of outstanding shares at the end of the reporting period was \$0.25.

These shares were issued as compensation to key management personnel and employee of the Group. Further details are provided in the directors' report.

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 27: Events after the Reporting Period

The directors are not aware of any other significant events since the end of the reporting period.

### Note 28: Related Party Transactions

#### Related Parties

##### a. The Group's main related parties are as follows:

(i) *Entities exercising control over the Group:*

The ultimate parent entity that exercises control over the Group is Valmec Limited, which is incorporated in Australia.

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 7.

(iii) *Entities subject to significant influence by the Group:*

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

For the years ended 30 June 2015 and 30 June 2014, there are no entities which are subject to significant influence by the Group.

(iv) *Other related parties:*

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

##### b. Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with related parties:

**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 28: Related Party Transactions (Cont.)**

	<b>2015</b>	<b>2014</b>
	<b>\$000</b>	<b>\$000</b>
<b>(i) Transactions with related parties:</b>		
<i>Other related parties:</i>		
Contract income – Z Corp Property Group Pty Ltd <sup>[1]</sup>	2,852	-
Interest expense – Z Corp Property Group Pty Ltd <sup>[1]</sup>	148	108
Interest expense – Z Corp Property Group Pty Ltd <sup>[1]</sup>	60	28
Interest expense – Core Equities Pty Ltd <sup>[2]</sup>	72	33
Interest expense – Mecon (WA) Pty Ltd <sup>[4]</sup>	72	33
Interest expense – Cortina Holdings Pty Ltd <sup>[5]</sup>	24	11
Interest expense – Core Equities Pty Ltd <sup>[2]</sup>	-	99
Borrowing costs – Z Corp Property Group Pty Ltd <sup>[1]</sup>	60	-
Borrowing costs – Core Equities Pty Ltd <sup>[2]</sup>	50	-
Borrowing costs – Mecon (WA) Pty Ltd <sup>[4]</sup>	60	-
Consulting fees – Z Corp Property Group Pty Ltd <sup>[1]</sup>	10	-
Rent and outgoings – Z Corp Property Group Pty Ltd <sup>[1]</sup>	230	137
Other fees - Capital and Corporate Advisors Pty Ltd <sup>[3]</sup>	22	6
<b>(ii) Amounts payable to related parties:</b>		
<i>Loans due to other related parties:</i>		
Trade creditors	-	6
Z Corp Property Group Pty Ltd <sup>[1]</sup> – Unsecured loan	1,200	1,600
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Interest accruals	12	-
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Convertible notes	500	500
Core Equities Pty Ltd <sup>[2]</sup> - Convertible notes	600	600
Mecon (WA) Pty Ltd <sup>[4]</sup> - Convertible notes	600	600
Cortina Holdings Pty Ltd <sup>[5]</sup> - Convertible notes	200	200
<b>(iii) Amount due from other related parties:</b>		
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Retention	160	-
Z Corp Property Group Pty Ltd <sup>[1]</sup> - Trade receivable	586	-

<sup>[1]</sup> Stephen Zurhaar is a director and a shareholder of Z Corp Holdings Pty Ltd and Z Corp Property Group Pty Ltd.

<sup>[2]</sup> Stephen Zurhaar, and Vincent Goss are directors and shareholders of Core Equities Pty Ltd.

<sup>[3]</sup> Ranko Matic is a director and shareholder of Capital and Corporate Advisors Pty Ltd.

<sup>[4]</sup> Vincent Goss is the director and beneficiary of Mecon (WA) Pty Ltd

<sup>[5]</sup> Steve Dropulich is the director and beneficiary of Cortina Holdings Pty Ltd

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 29: Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

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

	Note	2015 \$000	2014 \$000
<b>Financial assets</b>			
Cash and cash equivalents	10	2,909	3,519
Loans and receivables	11	11,391	11,984
<b>Total financial assets</b>		14,300	15,503
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
– trade and other payables	17	9,904	9,159
– borrowings	18	6,878	7,757
<b>Total financial liabilities</b>		16,782	16,916

### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instruments are disclosed in Note 1.

### Financial risk management objectives

The Board of Directors has responsibility for, amongst other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to currency risk, financing risk and interest rate risk.

The Board's overall risk management strategy seeks to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 29: Financial Risk Management (Cont.)**

**a. Credit risk**

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligations resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

There is no concentration of credit risk with respect to current and non-current receivables as the Group has a number of large customers which are Australian listed as well as internationally dispersed. Group policy is that sales are only made to customers that are credit worthy. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Credit risk related to balances with banks and other financial institutions is managed by the Board in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard & Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	<b>Note</b>	<b>2015 \$000</b>	<b>2014 \$000</b>
Cash and cash equivalents:			
– AA rated		2,909	3,519
	10	2,909	3,519

**b. Liquidity risk**

A liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, investing surplus cash with major financial institutions and by matching the maturity profiles of financial assets and liabilities.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

**Note 29: Financial Risk Management (Cont.)**

*Financial liability and financial asset maturity analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Consolidated Group</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Financial liabilities due for payment</b>								
Convertible note loans	2,500	1,500	-	2,500	-	-	2,500	4,000
Business loans	833	-	750	-	-	-	1,583	-
Others	54	50	-	-	-	-	54	50
Trade and other payables	9,904	9,159	-	-	-	-	9,904	9,159
Amounts payable to related parties	1,200	1,600	-	-	-	-	1,200	1,600
Finance lease liabilities	796	682	745	1,425	-	-	1,541	2,107
<b>Total contractual outflows</b>	<b>15,287</b>	<b>12,991</b>	<b>1,495</b>	<b>3,925</b>	<b>-</b>	<b>-</b>	<b>16,782</b>	<b>16,916</b>
Less bank overdrafts	-	-	-	-	-	-	-	-
<b>Total expected outflows</b>	<b>15,287</b>	<b>12,991</b>	<b>1,495</b>	<b>3,925</b>	<b>-</b>	<b>-</b>	<b>16,782</b>	<b>16,916</b>
<b>Financial assets – cash flows realisable</b>								
Cash and cash equivalents	2,909	3,519	-	-	-	-	2,909	3,519
Trade, term and loan receivables								
– contractual inflows	11,391	11,984	-	-	-	-	11,391	11,984
<b>Total anticipated inflows</b>	<b>14,300</b>	<b>15,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,300</b>	<b>15,502</b>
<b>Net (outflow)/ inflow on financial instruments</b>	<b>(987)</b>	<b>2,512</b>	<b>(1,495)</b>	<b>(3,925)</b>	<b>-</b>	<b>-</b>	<b>(2,482)</b>	<b>(1,414)</b>

**c. Market risk**

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

The group is not exposed to foreign exchange risk at reporting date.

**d. Interest rate risk**

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

The net effective variable interest rate borrowings (i.e. Unhedged debt) exposes the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities.

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### Note 29: Financial Risk Management (Cont.)

The Group monitors its interest rate exposure continuously.

#### Interest rate risk Analysis

	Weighted average effective interest rate	Less than 1 year	1 – 5 years	Over 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000
<b>30 June 2015</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2.5%	2,909	-	-	2,909
Non-interest bearing - trade and other receivables	-	11,395	-	-	11,395
		14,304	-	-	14,304
<b>Financial liabilities</b>					
Non-interest bearing - trade and other payables	-	9,907	-	-	9,907
Borrowings	8.7%	5,383	1,495	-	6,878
		15,290	1,495	-	16,785
<b>30 June 2014</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2.5%	3,519	-	-	3,519
Non-interest bearing - trade and other receivables	-	11,984	-	-	11,984
		15,503	-	-	15,503
<b>Financial liabilities</b>					
Non-interest bearing - trade and other payables	-	9,159	-	-	9,159
Borrowings	9.6%	3,832	3,925	-	7,757
		12,991	3,925	-	16,916

#### The interest rate sensitivity

The effect on profit and equity as a result of changes in interest rates on net financial assets is immaterial.

#### Fair Values

The fair values of financial assets and financial liabilities are equal to their carrying amounts as presented in the statement of financial position.

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**Notes to the Financial Statements for the Year Ended 30 June 2015**

	2015	2014
	\$000	\$000
<b>Note 30: Equity- Reserve</b>		
Reserve	118	58

Reserve:  
 The reserve is used to accumulate amounts received on the issue of options/performance rights and records items recognised as expenses on valuation of incentive based share options/performance rights.

**Note 31: Equity- Retained earnings**

Balance at beginning of the year	4,045	(1,003)
Profit after income tax for the year	5,751	5,048
Dividends	(410)	-
Balance at end of the year	9,386	4,045

**Note 32: Dividends**

Dividends paid/payable during the financial year were as follows:

Interim dividend (unfranked) for the year ended 30 June 2015 (2014: 30 June 2014) of \$0.005 (2014: Nil) per share.	410	-
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*Franking credits*

Franking credits available for subsequent financial years based on a tax rate of 30%	1,224	521
--	-------	-----

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

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date.
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

**Note 33: Company Details**

The registered office of the company is:

Level 1  
 12 Kings Park Road  
 West Perth WA 6005

The principal place of business is:

17 Ballantyne Road  
 Kewdale WA 6105

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## Directors' Declaration

In accordance with a resolution of the directors of Valmec Limited, the directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

The company and wholly owned subsidiaries, Valmec Australia Pty Ltd, Valmec Services Pty Ltd and Core Plant and Equipment Pty Ltd, have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.



Director .....

**Steve Dropulich**

Dated this 26 day of August 2015

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
VALMEC LIMITED**

**Report on the Financial Report**

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

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Valmec Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of Valmec Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

**Report on the Remuneration Report**

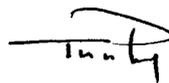
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion, the Remuneration Report of Valmec Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 26 August 2015

## Additional Information for Listed Public Companies

The following information is current as at 18 August 2015:

### 1. Shareholding

		Number
a.	Distribution of Shareholders	
	Category (size of holding):	Ordinary
	1 – 1,000	99,316
	1,001 – 5,000	299,259
	5,001 – 10,000	559,279
	10,001 – 100,000	9,646,952
	100,001 and over	71,229,211
		<u>81,834,017</u>

b. The number of shareholdings held in less than marketable parcels is 623.

c. The names of the substantial shareholders listed in the holding company's register are:

		Number
	Shareholder:	Ordinary
1.	Steve Dropulich & associated entities	5,329,389
2.	Stephen Zurhaar & associated entities	13,780,631
3.	Vincent Goss & associated entities	13,499,572
4.	Stephen Lazarakis & associated entities	13,036,251
5.	Core Equities Pty Ltd	10,884,275

### d. Voting Rights

The voting rights attached to ordinary shares are governed by the Constitution of the Company. On a show of hands every person present who is a Member or representative of a Member shall have one vote on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

### e. 20 Largest Shareholders – Ordinary Shares

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 Z CORP PROPERTY GROUP PTY LTD ,<CPA INVESTMENT A/C>	13,380,631	16.35
2 STELDAN INVESTMENTS PTY LTD ,STELDAN INVESTMENT	13,036,251	15.93
3 MECON (WA) PTY LTD ,VAG	12,980,631	15.86

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4	CORE EQUITIES PTY LTD ,CORE INVESTMENT	10,259,375	12.54
5	CORTINA HOLDINGS PTY LTD ,<S&D INVESTMENT A/C>	4,623,130	5.65
6	JASFORCE PTY LTD ,	2,637,010	3.22
7	ROCKET SCIENCE PTY LTD ,<THE TROJAN CAPITAL FUND A/C>	2,000,000	2.44
8	JH NOMINEES AUSTRALIA PTY LTD ,<HARRY FAMILY SUPER FUND A/C>	1,316,067	1.61
9	MS KYLIE ANNE BALDACCHINO ,	750,667	0.92
10	CORE EQUITIES PTY LTD ,	625,000	0.76
11	SPINITE PTY LTD ,	568,476	0.69
12	JASPER HILL RESOURCES PTY LTD ,<SUPERANNUATION A/C>	484,508	0.59
13	MR EDWARD SHANN ,<SHANN SUPER FUND A/C>	400,000	0.49
14	BEIRNE TRADING PTY LTD ,	355,431	0.43
15	MANDEL PTY LTD ,<MANDEL SUPER FUND A/C>	350,000	0.43
16	MR LARRY KEITH FOURACRES & MRS TRUDY LEE FOURACRES ,<PIMELIA SUPER FUND A/C>	317,500	0.39
17	T T NICHOLLS PTY LTD ,<SUPERANNUATION ACCOUNT>	307,254	0.38
18	JANT NOMINEES PTY LTD ,<GLEN IRIS SUPER FUND A/C>	281,259	0.34
19	TIALING PTY LTD ,<TIALING S/F A/C>	280,000	0.34
20	CATAALNA PTY LTD ,MATIC SUPER FUND	275,000	0.34
		<b>65,228,190</b>	<b>79.71</b>

#### 20 Largest Shareholders – Listed Options

		Number of Listed Options Held	% Held Of Listed Options
1	JASFORCE PTY LTD ,	2,383,423	11.78
2	ROCKET SCIENCE PTY LTD ,<THE TROJAN CAPITAL FUND A/C>	2,000,000	9.88
3	JH NOMINEES AUSTRALIA PTY LTD ,<HARRY FAMILY SUPER FUND A/C>	1,316,067	6.50
4	CLAPSY PTY LIMITED ,<SUPERANNUATION FUND A/C>	999,787	4.94
5	JASPER HILL RESOURCES PTY LTD ,<SUPERANNUATION A/C>	484,508	2.39
6	BEIRNE TRADING PTY LTD ,	475,000	2.35
7	CLAPSY PTY LTD ,<BARON SUPER FUND A/C>	450,000	2.22
8	MR PETER JAMES MITCHELL LOVE ,<OVERLAY CAPITAL FUND A/C>	350,000	1.73
9	CLAPSY PTY LTD ,<BARON SUPER FUND A/C>	300,000	1.48
10	MR IAN THOMPSON & MR PETER RANDAL THOMPSON ,<THOMPSON FAMILY S/F A/C>	267,902	1.32
11	T T NICHOLLS PTY LTD ,<SUPERANNUATION ACCOUNT>	257,254	1.27
12	MR MICHAEL FRANK MANFORD ,ATLO SUPER FUND	250,000	1.24
12	MR NASER KERIMI & MRS DEBORAH LYNN KERIMI ,<KERIMI SUPER FUND A/C>	250,000	1.24
12	MR SIMON ROBERT EVANS ,	250,000	1.24
12	KERIMI INVESTMENTS PTY LTD ,	250,000	1.24
13	MRS SARAH KAY DALY ,	207,254	1.02
13	WALLCLIFFE COTTAGES PTY LTD ,	207,254	1.02
13	FUTURE SUPER PTY LTD ,<JWS SUPER FUND A/C>	207,254	1.02
13	SOMNUS PTY LTD ,<SOMNUS SUPERANNUATION A/C>	207,254	1.02
13	SAM GOULOPOULOS PTY LTD ,<S GOULOPOULOS F/SUPER A/C>	207,254	1.02
14	UPSKY EQUITY PTY LTD ,<UPSKY INVESTMENT A/C>	204,349	1.01
15	CIDEL BANK & TRUST INC ,<THE ANNE AVENUE A/C>	200,000	0.99
15	SPINITE PTY LTD ,	200,000	0.99
16	MR THOMAS MILENTIS ,	150,000	0.74
16	MR NICHOLAS MILENTIS ,	150,000	0.74
16	MR GEOFF REYNOLDS ,	150,000	0.74
16	MR LARRY KEITH FOURACRES & MRS TRUDY LEE FOURACRES ,<PIMELIA SUPER FUND A/C>	150,000	0.74

17	MR JOHN DENIS HEXTALL ,	135,778	0.67
18	GLENEAGLE SECURITIES (AUST) PTY LTD ,<HOUSE PROP A/C>	131,607	0.65
19	CLAPSY PTY LIMITED ,SUPERANNUATION FUND	125,000	0.62
19	KAHALA HOLDINGS PTY LTD ,	125,000	0.62
20	DR PETER ANDREW KENDALL & MR TIMOTHY KENDALL ,<SUPER FUND A/C>	115,000	0.57
		<b>13,156,945</b>	<b>65.00</b>

**Restricted Securities**

51,296,878 ordinary shares are escrowed until 14 January 2016.

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