ONTERRAN

PARTNER | BUILD | PERFORM

2016 ANNUAL REPORT

ONTERRAN LIMITED (Formerly known as Nomad Building Solutions Limited)

SUMMARY OF GROUP ACTIVITIES

Onterran Limited is the parent company of a diversified group of construction, modular manufacturing and property development management businesses operating across Australia.

Our business units offer the following services:

- Commercial and residential construction both insitu and modular
- Regional and remote specialists
- Project and development management

CORE VALUES

- We will provide a healthy, safe, environmentally protective and quality workplace.
- We are determined to deliver investment growth.
- We will act at all times with responsibility and integrity.
- We are committed to building a high performing culture by helping each and every employee reach their full potential.
- We will inspire high performance to allow each employee to start the day with a sense of purpose and end it with a sense of achievement.

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EXECUTIVE CHAIRMAN'S REPORT

KEY POINTS

- Revenue of $265.7m (FY15: $80.3m)
- EBITDA from continuing operations of $0.7m (FY15: loss $21.9m)
- Cash on hand of $5.4m at 30 June 2016 (FY15: $5.7m)
- Legacy items all closed out during financial year 2016
- Strong investor support for transformational Couran Cove asset acquisitions
- The Board re-iterates its commitment towards the resumption of dividends, with available franking credits of $17.8m

OPERATING RESULTS

The table below reconciles statutory net loss after tax to EBITDA (earnings before interest, tax, depreciation and amortisation) for financial year 2016.

	Continuing Operations $m	Discontinued Operations $m	Total $m
Statutory loss attributable to members	(0.7)	**(1.0)**	(1.7)
Add-back:			
Depreciation and amortisation	1.0	**0.1**	1.1
Finance Costs	0.4	**-**	0.4
EBITDA	0.7	**(0.9)**	(0.2)

BLOOMER CONSTRUCTIONS (BCQ)

FY 2016 Review

BCQ generated EBITDA of $1.7m on record high revenue of $235.5m. Underlying EBITDA (before intercompany charges and unusual transactions) was a loss of $1.4m. This is an unsatisfactory result primarily stemming from a number of longer term projects on hand at the time of acquisition being unprofitable and decreased margins in a rising cost environment. These factors continued to affect performance in the second half. Market pricing has become more stable in recent months and a stronger performance from BCQ is expected. Since its foundation in 1983, BCQ has had an enviable track record of consistent profit delivery, with only one non-profitable year prior to FY16. Onterran's Board, including Wayne Bloomer, considers the current year result to be anomalous and has the utmost confidence in a return to the long run pattern of dependable year on year profitability.

In line with the Groups stated strategic direction of pivoting towards development of our own projects, such as at Couran Cove, BCQ's third party revenues are expected to reduce in FY2017 with a new focus on contracting quality projects in the $5m - $10m revenue range, allowing BCQ to play to its traditional strengths.

At 30 June 2016 BCQ had work on hand of $155m.

MCGRATH MODULAR

FY 2016 Review

McGrath posted a positive EBITDA of $0.3m on revenue of $29.8m (2015: EBITDA negative $0.3m on revenue of $21.8m). Underlying EBITDA was $1.2m (2015: negative $0.3m) which is a substantial improvement compared to the previous period despite the current challenging market conditions in regional Western Australia.

McGrath had work on hand of $9m at 30 June 2016 excluding any possible revenue from The Meadowbrook Lifestyle Estate which has potential future revenues in excess of $40m (see separate ASX announcement). The Meadowbrook project is moving forward albeit slower than management had anticipated. It is however expected to commence contributing to financial results in FY17.

OTHER DEVELOPMENTS

On 12 July 2016, the Company announced an agreement to acquire, through wholly owned subsidiaries, sizeable real estate holdings in the area at South Stradbroke Island, Queensland known as Couran Cove. The significant assets to be acquired are:

1) approximately 105 existing apartments;
2) 3 development lots with development approval for over 220 houses and lodges;
3) a number of commercial buildings; and
4) significant possible future development land

On 21 September 2016, the Company announced that the major portion of the acquisition had settled with only a small number of individual apartment settlements to be completed. The total number of apartments to be acquired is not yet final as at the date of this report. The Company plans to develop the 220 approved houses and lodges and sell the approximately 105 existing apartments, which are expected to generate revenue of over $95m in the next four years. In addition to the existing apartments and approved development land, there may be further development opportunities that will be investigated over time relating to the large leasehold parcels of land that form part of the acquisition.

The Couran Cove acquisition is transformational for the Company. Leading up to completion of the major part of the acquisition, significant renovation works on apartments, swimming pools, infrastructure and the resort generally has been undertaken. Bloomer Constructions has taken an intensive approach to the project and as of today has already completed all required infrastructure and swimming pool renovations and completed works on approximately 20 apartments.

With the resort now professionally presented we have started marketing existing apartments. The first ten days of marketing have seen significant interest in the product at our retail price points and we have already received expressions of interest for four apartment sales at a materially higher price than acquisition cost. The resort presentation is now extremely appealing and we anticipate strong results quickly, both on the existing stock and the land subject to development approval. Onterran intends using this project as a springboard to future developments and a focus on its own projects in the future.

On 15 August 2016 shareholders approved a resolution to consolidate every eight existing ordinary shares in the capital of the Company into one ordinary share. The consolidation was completed on 25 August 2016 and the number of ordinary shares on issue on 25 August 2016 post consolidation was 56,897,686.

Also on 15 August 2016 shareholders approved the issuance of redeemable convertible preference shares (RCPS), to raise up to $21.5m to fund the acquisition of the various Couran Cove assets, undertake the renovation and sale program on the 105 existing apartments, commence development of the land parcels and provide general working capital.

The RCPS rank in priority to the Company's ordinary shares in respect of the payment of dividends. Holders of the RCPS are entitled to a cumulative but non-compounding fully franked fixed dividend of 8% per annum. Dividends on the RCPS are paid bi-annually. RCPS holders do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not having voting rights. As at the date of this report 38,396,479 RCPS have been issued representing $21.1m (before costs) of capital raised.

OUTLOOK

Financial Year 2017, with the upcoming Couran Cove project and a more stable pricing market expected for our construction subsidiaries, is expected to be a significant year in terms of profitability and long term balance sheet strengthening. The addition of significant real estate assets which will be put to the market, in some cases immediately, along with our first meaningful in-house projects starts the process of being less affected by sudden market price changes. The group will continue to seek further property transactions, focussing on those that are already approved and hence 'shovel ready', or part complete. Seeking transactions such as this enables quick revenue from projects after deployment of capital rather than the longer lead times that comes from acquisition of green field sites.

After a disappointing 2016, we enter 2017 with a very positive outlook and look forward to delivering a solid investment return to our shareholders.

Lachlan McIntosh
Executive Chairman

30 September 2016

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Onterran Limited (Company) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

DIRECTORS

Directors interests in shares and options are reported post the consolidation of ordinary shares on 15 August 2016 on an eight for one basis. The directors of Onterran Ltd in office at any time during or since the end of the full year are:

MR LACHLAN McINTOSH.

Executive Chairman
(appointed 21 December 2015)

Non-Executive Director
(3 October 2014 – 21 December 2015)

Experience and expertise

Lachlan McIntosh has a Bachelor of Commerce degree and is a Member of the Institute of Chartered Accountants in Australia. He specialises in corporate finance and mergers and acquisitions. He has had substantial experience in the real estate and retirement accommodation industries along with significant experience in the franchising industry and mining services industries.

Other current directorships (of listed entities)

Eureka Group Holdings Limited

Former directorships in the last 3 years

Industrea Ltd (May 2004 to December 2012)

Interest in shares and options

Mr McIntosh has an interest in 562,500 ordinary shares and 1,090,909 redeemable convertible preference shares in the Company.

Special responsibilities

Executive Chairman of the Board

MS HEATHER GARDNER.

Non-executive Director

(Chief Executive Officer)
(resigned 29 February 2016)

Experience and expertise

Heather Gardner holds a Master's in Business Administration from James Cook University Brisbane and is a member of the Australian Institute of Company Directors, Fellow of the International Institute of Directors and Managers and a Certified CEO. Heather has over 30 years' experience in commercial and residential construction and development throughout Australia.

Prior to joining Onterran, Heather was a Senior Executive and Director of various entities within the FK Gardner Group of companies. FK Gardner is one of Queensland's largest privately owned construction and infrastructure companies.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years

None

Interest in shares and options

Ms Gardner has an interest in 1,648,748 ordinary shares and 1,081,818 redeemable convertible preference shares in the Company.

Special responsibilities

None

MR WAYNE BLOOMER.

Executive Director
(Business Development Director BCQ)

Experience and expertise

Wayne Bloomer has over 35 years' experience in the Australian construction industry and joined the Board of Onterran in May 2015 following Onterrans acquisition of BCQ. Wayne founded BCQ in 1983 operating across the domestic, commercial and mining sectors in Queensland, NSW, Victoria and Western Australia.

Other current directorships (of listed entities)

None

Former directorships in the last 3 years

None

Interest in shares and options

Mr Bloomer has an interest in 11,000,000 shares in the Company.

Special responsibilities

None

MR PETER CONSTABLE.

Non-Executive Chairman
(resigned 21 December 2015)

Experience and expertise

Peter is Executive Chairman and Chief Investment Officer of ASX listed fund manager Ryder Capital Limited. Peter has over 20 years' experience in investment markets and has previously served on the boards of a number of ASX listed companies. Prior to establishing Ryder Investment Management Pty Ltd in June 2008, Peter was an Executive Director of MMC Contrarian Limited, an ASX listed investment company. Peter holds a Bachelor of Economics degree from Macquarie University, Sydney and began his career in London working for the United Bank of Kuwait.

MR DAVID HAROLD BOTTOMLEY.

Alternate Director to
Mr Peter Constable (resigned 21 December 2015)

Experience and expertise

Mr Bottomley is Executive Director at ASX listed fund manager Ryder Capital Limited. Mr. Bottomley has significant experience in originating and executing M&A advisory and equity capital markets transactions in Australia, the UK and Europe. He has previously held executive positions within Kleinwort Benson, Merrill Lynch & Co and GMCG, LLC.

Mr Bottomley holds a BA (Economic History), LLB (Honours), was admitted to practice as a solicitor in NSW along with the Federal and High Court of Australia in 1996 and is a Fellow of the Financial Services Institute of Australasia

MR OLIVER SCHWEIZER.

Company Secretary

Experience and expertise

Oliver Schweizer has a Bachelor of Economics degree and is a Chartered Financial Analyst. Oliver has over 15 years' experience in commercial accounting, finance, investments and listed entities.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of directors and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each director was as follows:

	Full meetings of Board	
	A	B
L S McIntosh	7	9
H A Gardner	9	9
W N Bloomer	8	9
P C Constable *	4	5
D Bottomley *	-	5

* Resigned 21 December 2015

A = Number of meetings attended.

B = Number of meetings held during the time the director held office or was a member of the Committee.

Currently, the size of the Board is not sufficient to warrant separate Audit & Risk Management and Nomination & Remuneration committees. Decisions normally taken by both Committees were addressed by the full Board in FY2016 with any affected directors excusing themselves from the process. The Company intends to restore the Board to a complement of five directors following which these committees will be re-established.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

During the year the principal activities of the Group consisted of:

- commercial and residential construction and property development management;
- the manufacture of modular transportable buildings, and associated project management and installation; and
- rental of accommodation assets.

REVIEW OF OPERATIONS

The Group reported a net loss after income tax of $0.7m (2015 loss: $23.4m) from continuing operations for the year ended 30 June 2016.

After allowing for an after tax loss from discontinued operations of $1.0m, the statutory net loss after tax for the year ended 30 June 2016 was $1.7m (2015 loss: $25.4m).

Summary of Results from Continuing Operations

	FY 2016 $m	FY 2015 $m	Change %
Continuing Operations			
Revenue	265.7	80.3	+ 231 %
EBITDA	0.7	(21.9)	n/a
EBIT	(0.3)	(23.3)	+ 99 %
Net Loss After Tax	(0.7)	(23.4)	+ 97 %
Net Cash Flow used in Operations	(2.9)	(5.3)	+ 45 %
Loss Per Share - cents	(0.16)	(7.6)	+ 98 %

Cash outflow from operations ($2,993,000) includes a $1.7m outflow in respect of the McGrath Modular debt referred to in note 19 which is expected to generate an offsetting inflow of $2.0m in FY17. Also included in the operating cash outflow is an outflow of $2.1m in respect of McGrath's Pindan project (see ASX announcement of August 2015) which will also reverse in FY17.

Cash flow from operations for the comparative period (year ended 30 June 2015) excludes $3.7m of cash acquired on the acquisition of BCQ. This represents cash generated from the pre-acquisition operating activities of BCQ. Post-acquisition this cash was utilised to pay BCQ suppliers and employees included within the operating cash outflow for the year ended 30 June 2015 above.

The Group had available cash on hand of $5.4m (2015: available cash on hand of $5.7m). This excludes $3.2m of cash held as security for bank guarantees provided for construction contracts.

More detailed commentary on the operations of the business during the year ended 30 June 2016 can be found in the Chairman's Report.

DIVIDENDS – ONTERRAN LIMITED

No dividends have been declared during or since the end of financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 12 July 2016, the Company announced an agreement to acquire, through wholly owned subsidiaries, sizeable real estate holdings in the area at South Stradbroke Island, Queensland known as Couran Cove. The significant assets to be acquired are:

1) approximately 105 existing apartments;
2) 3 development lots with development approval for over 220 houses and lodges;
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4) significant possible future development land

On 21 September 2016, the Company announced that the major portion of the acquisition had settled with only a small number of individual apartment settlements to be completed. The total number of apartments to be acquired is not yet final as at the date of this report. The Company plans to develop the 220 approved houses and lodges and sell the approximately 105 existing apartments, which are expected to generate revenue of over $95m in the next four years. In addition to the existing apartments and approved development land, there may be further development opportunities that will be investigated over time relating to the large leasehold parcels of land that form part of the acquisition.

On 15 August 2016 shareholders approved the issuance of redeemable convertible preference shares (RCPS), to raise up to $21.5m to fund the acquisition of the various Couran Cove assets, undertake the renovation and sale program on the 105 existing apartments, commence development of the land parcels and provide general working capital.

The RCPS rank in priority to the Company's ordinary shares in respect of the payment of dividends. Holders of the RCPS are entitled to a cumulative but non-compounding fully franked fixed dividend of 8% per annum. Dividends on the RCPS are paid semi-annually. RCPS holders do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not having voting rights.

Also on 15 August 2016 shareholders approved a resolution to consolidate every eight existing ordinary shares in the capital of the Company into one ordinary share. The consolidation was completed on 25 August 2016 and the number of ordinary shares on issue on 25 August 2016 post consolidation was 56,897,686.

During September 2016, the Group repaid in full the $3.25m short term trade finance facility from National Australia Bank.

No other matters or circumstances have arisen since 30 June 2016 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years;
(b) the results of those operations in future financial years; or
(c) the Group's state of affairs in future financial years.

FUTURE DEVELOPMENTS

Other than as referred to in the Executive Chairman's Report further information as to likely developments in the operations of the Group and the expected results of those operations would, in the opinion of the Directors be speculative.

ENVIRONMENTAL REGULATION

The protection of the environment is an extremely important aspect within the Group's operations and a necessary element of good corporate citizenship.

The Group is committed to implementing and maintaining sound environmental management systems, to ensure the continual improvement of environmental performance. The Group's environmental management system will operate to maintain a formalised method of control and minimise the environmental impact of all of the Group's activities.

The Group's environmental objectives, within the bounds dictated by regulatory compliance, are to:

- Establish and maintain environmentally responsible waste management and waste disposal;
- Improve the efficiency of energy use;
- Minimise harm to flora and fauna;
- Store all materials in a manner that reduces their potential release to the atmosphere, soil or water;
- Reduce the potential for environmental harm in emergency situations by responding effectively to any emergency using trained personnel and formalised emergency plans;
- Ensure that subcontractors and suppliers conform to relevant requirements of our environmental management system;
- Promote the adoption of sound environmental practices by all personnel through the improvement of overall environmental awareness.

The Group will continue to provide the resources required to achieve effective environmental management, and by doing so, give both the Group's clients and the community an assurance of their sound environmental performance.

National Greenhouse and Energy Reporting Act (NGER)

The Group continues to monitor legislative developments and energy usage to ensure it complies with the requirements of the Act. The Group is currently not registered under the Act.

REMUNERATION REPORT (AUDITED)

The Remuneration Report is set out under the following main headings:

(a) Principles used to determine the nature and amount of remuneration.

(b) Details of remuneration.

(c) Service agreements.

(d) Share based compensation.

(e) Additional information.

This audited Remuneration Report for the year ended 30 June 2016 outlines the remuneration arrangements of the Consolidated Group in accordance with Section 300A of the *Corporations Act 2001 (Cth)* and its regulations.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The remuneration governing principles are set by the Board of the Company, who may take any required advice, input and recommendations from external surveys, management and external independent consultants.

The Group's remuneration structure takes the following into account:

- the capability and experience of the directors and senior executives;
- the senior executives' ability to control the relevant division's performance;
- the Group's performance including:
  - the Group's earnings; and
  - the growth in share price and returns on shareholder investment;
- the amount of incentives (if any) within each Directors' and senior executive's remuneration; and
- the complexity and challenges of particular roles.

Remuneration levels are competitively set to attractqualified and experienced directors and Key Management Personnel and are reviewed on an annual basis. The Group currently has in place a three tiered remuneration approach, the elements of which are:

- an annual fixed remuneration package;
- short-term variable incentives in the form of bonuses; and
- long-term incentives such as share options and shares.

When considering such incentives, the Board ensures that executive reward satisfies the following criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- individual circumstances;
- transparency; and
- capital management.

The Group puts in place short-term and long-term incentive plans for other senior executives that are formulated around the same principles outlined above. The Group's overall remuneration framework provides a blend of fixed and variable pay and of short and long term incentives.

USE OF REMUNERATION CONSULTANTS

During the 2016 and 2015 financial years, no remuneration recommendations, as defined by the *Corporations Act 2001 (Cth,)* were provided by remuneration consultants.

VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

The Company received more than 90% of 'yes' votes on its remuneration report for the 2015 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

DIRECTORS

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees are reviewed annually by the Board. When setting fees and other compensation for non-executive directors, the Board takes independent advice and applies Australian benchmarks. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Non-executive directors currently do not receive share options or shares as part of their remuneration.

Directors' fees

The current non-executive directors remuneration, of $20,000, including superannuation, is reviewed periodically and was last reviewed in October 2014 when a downward revision from $50,000 was effected. There was also a downward revision of the Chairman's remuneration from $70,000 to $20,000 in October 2014. If applicable, directors' fees are inclusive of committee fees.

The current maximum aggregate remuneration of non-executive directors is $400,000 per annum. There are no plans to increase the maximum aggregate remuneration within the next financial year.

Directors are also entitled to be reimbursed for all Group business related expenses, including travel on Group business, as may be incurred in the discharge of their duties.

Payment for extra services

A director called upon to perform extra services or undertake any executive or other work for the Group beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Board. This is normally in addition to the Directors' usual remuneration provided. However depending on the nature and term of a non-executive director taking over an executive role, a director may, with the approval of the Board have their fixed fees suspended and replaced with a salary or other fixed sum.

Effect of cessation of office

Under the Company's Constitution, with the approval of the Company in a general meeting, the directors may, upon a director ceasing to hold office or at any time after a director ceases to hold office whether by retirement or otherwise, pay to the former director or, in the case of death any of the legal personal representatives or dependents of the former director, a lump sum in respect of past services of the director of an amount not exceeding the amount either permitted by the *Corporations Act 2001* or the ASX Listing Rules.

The Company may contract with any director to secure payment of the lump sum to the director, his or her legal personal representatives or dependants or any of them, unless prohibited by the *Corporations Act 2001* or the ASX Listing Rules.

REMUNERATION REPORT (AUDITED)
CONTINUED

EXECUTIVES

Executive pay

Executive remuneration and reward framework consists of the following components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives such as share options and shares.

Base pay

Remuneration is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure that each executive's pay is competitive to the market. An executive's pay is also reviewed on promotion.

There is no guaranteed base pay increases included in any executive's employment agreement.

Benefits

Executives, as part of their remuneration package, may receive benefits such as a car allowance or a fully maintained motor vehicle and a motor vehicle fuel card.

Superannuation

Retirement benefits are delivered as required under the Australian superannuation guarantee legislation.

Short-term incentives

Executives are eligible for short-term cash incentive (bonus) payments based on percentages of their fixed annual remuneration base salary. Bonus payments are predominantly determined by measuring performance against criteria including the overall Group and individual Divisions achieving prescribed financial and occupational health and safety targets, and the executive meeting personal key performance indicators set at the beginning of the year. The payment of the short-term incentive is at the discretion of the Board which considers the performance of the Group, whether value has been created for shareholders, that profit is consistent with the business plan and the executive's contribution to the business. The level of incentive is designated for each executive based on their ability to impact the Group's performance. Cash incentives are determined based on financial years and are payable on or about 30 September of the following financial year, after the year's financial results have been audited and approved by the Board.

Long-term incentives

Long-term incentives are available to executives via an Onterran Long-term Incentive Plan, see Part D of this Remuneration Report for further information.

Specific details relating to the terms and conditions of employment for each executive director are also set out below.

B. DETAILS OF REMUNERATION

AMOUNTS OF REMUNERATION

Details of the remuneration of the directors and the key management personnel of Onterran Limited and the Group are set out in the following tables.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group and other designated senior executives. KMP comprise the Executive Chairman and his direct management reports (collectively the executive KMP) and the Non-Executive Directors of the Company.

KMP	Position	Period as KMP
Peter Constable	Non-Executive Chairman	Ceased December 2015
Lachlan McIntosh	Director – Non-Executive	Ceased December 2015
	Executive Chairman	Commenced December 2015
David Bottomley	Alternate Director – Non-Executive	Ceased December 2015
Heather Gardner	Director – Chief Executive Officer	Ceased February 2016
	Director – Non-Executive	Commenced February 2016
Wayne Bloomer	Director – Business Development Director BCQ	All financial year
Patrick McMahon	Chief Financial Officer	All financial year
Ian Ginbey	General Manager McGrath Homes	Ceased May 2016

REMUNERATION REPORT (AUDITED)
CONTINUED

The following table provides the details of all directors of the Company and the key management personnel of the Group with authority and the nature and amount of the elements of their remuneration for the year ended 30 June 2016:

	Short-term benefits			Post-employment benefits	Share-based payments	Total
2016	**Cash salary and fees $**	**Cash bonus $**	**Other $**	**Superannuation $**	**Shares $**	**$**
Non-Executive Directors						
Current						
H A Gardner[1]	250,304	-	-	23,779	200,000	474,083
Former						
P C Constable[2]	9,203	-	-	874	-	10,077
D H Bottomley[2]	-	-	-	-	-	-
Sub-total						
Non-Executive Directors	**259,507**	**-**	**-**	**24,653**	**200,000**	**484,160**
Executive Directors						
L S McIntosh	20,000	-	-	-	-	20,000
W N Bloomer[3]	350,000	-	-	33,250	-	383,250
Other key management personnel						
Current						
P V McMahon	173,000	51,972	-	21,372	20,000	266,344
Former						
I Ginbey[4]	156,021	-	30,957	14,822	-	201,800
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	**958,528**	**51,972**	**30,957**	**94,097**	**220,000**	**1,355,554**

1. H A Gardner was Onterran CEO until her resignation on 29 February 2016. She remains a non-executive director. Under the terms of her employment contract Heather Gardner was issued with 5,000,000 shares (pre the 8 for 1 share consolidation, see ASX announcement 26 August 2016) partly paid to $0.01 ($50,000) per share. The remaining $0.04 ($200,000) per share was granted to Heather Gardner during the financial year ended 30 June 2016 and was accrued for in FY2016. The shares were converted to fully paid ordinary shares on 26 August 2016 (see ASX announcement of that date).
2. P C Constable was non-executive Chairman until his resignation from the Board on 21 December 2015. D H Bottomley was alternate director to P C Constable until his resignation on 21 December 2015.
3. On acquisition of BCQ, Wayne Bloomer entered into an executive employment agreement with the Company for a term of five years pursuant to the purchase and sale agreement. The Group agreed to issue the vendor 30,000,000 ordinary shares at a deemed issue price of $0.05 (pre the 8 for 1 share consolidation, see ASX announcement 26 August 2016) conditional upon Wayne Bloomer continuing to be employed under that agreement on 30 June 2017. The Company determined the fair value of this equity settled transaction to be $1,650,000 based upon the listed share price of the company on the date Wayne Bloomer signed the employment agreement. This expense was to accumulate in an equity reserve with a corresponding charge in the statement of profit and loss and other comprehensive income for the services rendered. As at 30 June 2015 the share based payment reserve was $127,000. At 30 June 2016, Wayne Bloomer and the Company agreed to terminate the executive employment agreement. A new agreement was signed and Wayne Bloomer remains employed by BCQ on revised terms and conditions in the role of Business Development Director. The vendor has forfeited the right to the ordinary shares which will not now be issued. In accordance with accounting standards the related share based payment reserve of $127,000 has been credited to the statement of profit and loss and other comprehensive income in the year ended 30 June 2016.
4. I Ginbey was General Manager of McGrath Modular until 1 May 2016 when he transitioned to the role of Senior Project Director and ceased to be a KMP. The General Manager position was vacant at 30 June 2016. Other short term benefits represents payment for use of Builders Registration License and car allowance.

The following table provides the details of all directors of the Company and the key management personnel of the Group with authority and the nature and amount of the elements of their remuneration for the year ended 30 June 2015:

	Short-term benefits			Post-employment benefits		Share-based payments		Total
2015	Cash salary and fees $	Cash bonus $	Other [6] $	Termination Benefits $	Superannuation $	Options $	Shares $	$
Non-executive directors								
Current								
P C Constable	24,762	-	-	-	2,355	-	-	27,117
D Bottomley	-	-	-	-	-	-	-	-
L S McIntosh	14,500	-	-	-	-	-	-	14,500
Former								
D J Franklyn [1]	26,519	-	-	-	2,522	-	-	29,041
P J Hogan [2]	3,805	-	-	-	361	-	-	4,166
Sub-total non-Executive directors	**69,586**	**-**	**-**	**-**	**5,238**	**-**	**-**	**74,824**
Executive directors								
H A Gardner [3]	179,604	-	-	-	17,062	45,155	50,000	291,821
W N Bloomer [4]	84,536	-	-	-	7,766	-	127,000	219,302
Former								
A J Sturcke [5]	109,389	50,000	-	53,003	10,392	-	-	222,784
Other key management personnel								
Current								
P V McMahon	43,250	-	-	-	4,109	-	-	47,359
I Ginbey	202,236	-	15,000*	-	17,349	-	-	234,585
Former								
E P Davies [6]	147,680	-	104,154*	-	13,154	-	120,000	384,988
TOTAL KEY MANAGEMENT PERSONNEL COMPENSATION	**836,281**	**50,000**	**119,154**	**53,003**	**75,070**	**45,155**	**297,000**	**1,475,663**

1. D J Franklyn was non-executive Chairman until his resignation from the Board on 19 April 2015.
2. P J Hogan resigned from the Board on 31 July 2014. He received a termination benefit as part of his contract. This was accrued for in FY2014.
3. Under the terms of her employment contract Heather Gardner was issued with 5,000,000 shares partly paid to $0.01 ($50,000) per share with $0.04 per share remaining unpaid upon issue. At 30 June 2015 the unpaid amount per share had not been called by the Company.
4. Wayne Bloomer entered into an executive employment agreement with the Company for a term of five years pursuant to the BCQ purchase & sale agreement. The Group has agreed to issue the vendor 30,000,000 ordinary shares at a deemed issue price of $0.05 cents conditional upon Wayne Bloomer continuing to be employed under that agreement on 30 June 2017 and Wayne Bloomer not having given notice of termination of that agreement. The Company has determined the fair value of the equity settled transaction to be $1,650,000 based upon the listed share price of the Company on the date Wayne Bloomer signed the employment agreement. This expense will be accumulated over the vesting period in an equity reserve with a corresponding charge in the income statement for the services rendered. The share based payment expense for the period ended 30 June 2015 was $127,000.
5. A J Sturcke resigned from the Board on 7 November 2014. He received a termination benefit as part of his contract.
6. E P Davies was General Manager of McGrath Homes until his resignation on 12 December 2014. Other short term benefits represents payment of long service leave entitlements.

* Other Short-Term Benefits

- I Ginbey: Payment for use of Builder's Registration License & Car allowance
- E Davies: Payment of long service leave entitlement on resignation

REMUNERATION REPORT (AUDITED)
CONTINUED

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk – STI		At risk – LTI	
Name	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Executive Directors						
H A Gardner	**54%**	100%	**46%**	-	**-**	-
W N Bloomer	**100%**	100%	**-**	-	**-**	-
Key Management Personnel						
P V McMahon	**71%**	100%	**29%**	-	**-**	-
I Ginbey	**100%**	100%	**-**	-	**-**	-

The proportions shown in the above table are in relation to actual income earned in the relevant year, and not to overall package entitlements.

C. SERVICE AGREEMENTS

On appointment to the executive team, all KMP's enter into a service agreement with the Company in the form of a letter of appointment.

Remuneration and other terms of employment for the Chief Executive Officer and the other key management personnel are formalised in service agreements. Each of these agreements provide for the provision of performance-related cash bonuses and may include other benefits including car allowance and a fuel card, and participation, when eligible, in a Group Long-term Incentive Plan. Other major provisions of the agreements relating to remuneration are set out below.

H A Gardner, Chief Executive Officer (Onterran) (Resigned February 2016)

- Fixed annual reward, including superannuation and other benefits of $275,000 to be reviewed annually by the Board.
- Short-term incentive bonus of up to 100% of fixed annual reward.
- Participation in the Executive Long-term Incentive Plan.
- 3 months' notice of termination.
- An additional one-off $50,000 sign-on incentive bonus of 5,000,000 shares (pre 8 for 1 share consolidation, see ASX announcement 26 August 2016) partly paid to $0.01 per share with $0.04 per share remaining unpaid upon issue. The remaining $0.04 ($200,000) per share was granted to Heather Gardner during the financial year ended 30 June 2016.
- 15,000,000 (pre-share consolidation) Onterran share options to be issued in three separate tranches. These options were forfeited on Heather Gardner's resignation as CEO – refer section D Share Based Compensation below.
- Additional two weeks paid annual leave per annum.

W N Bloomer, Business Development Director (BCQ)

- Fixed annual reward, including superannuation and other benefits of $219,000 to be reviewed annually by the Board.
- Non-competition period of 3 years following Onterrans acquisition of BCQ.
- Short term incentive at the discretion of the Board.
- Participation in the Executive Long Term Incentive Plan.
- 6 months' notice of termination.

P V McMahon, Chief Financial Officer (Onterran)

- Fixed annual reward, including superannuation and other benefits of $189,435 to be reviewed annually by the Board.
- Short-term incentive bonus at the discretion of the Board.
- Participation in the Executive Long-term Incentive Plan.
- Non-competition period of 3 months upon termination of employment with the Group.
- 3 months' notice of termination.

I Ginbey, General Manager (McGrath Modular) (to May 1st 2016)

- Fixed annual reward, including superannuation and other benefits of $223,890 to be reviewed annually by the Board.
- Participation in the Executive Long-term Incentive Plan.
- Non-competition period of 6 months upon termination of employment with the Group.
- 1 months' notice of termination.

ASSESSING PERFORMANCE AND CLAW-BACK OF REMUNERATION

The Board is responsible for assessing performance against KPIs and determining the incentive bonuses to be paid. To assist in this assessment, the committee is entitled to receive detailed reports on performance from management which are based on independently verifiable data such as financial measures, market share and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the company's financial statements, the remuneration committee can cancel or defer performance based remuneration and may also claw back performance based remuneration paid in previous financial years.

D. SHARE-BASED COMPENSATION

(i) Option holdings

Options over shares in Onterran Limited are issued under Long-term Incentive Plans or as determined by the Board from time to time. Long-term Incentive Plans are designed to provide long-term incentives for executives to deliver superior long-term shareholder returns. There are no Long-term Incentive Plans currently in operation. The directors intend to re-instate a Long Term Incentive Plan in the near future.

For all Plans:

- The options can only be exercised if the employees are still employed by the Group.
- Options issued under each Plan carry no dividend or voting rights. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company. Each Plan's rules do not permit the transfer of options.
- No options have vested and consequently no ordinary shares in the Company were provided as a result of the exercise of remuneration options to directors of Onterran Limited and other key management personnel of the Group.

REMUNERATION REPORT (AUDITED)
CONTINUED

The number of options over ordinary shares in the Company held during the financial year by each executive director of Onterran Limited and other key management personnel of the Group, including their personally held related parties, are set out below.

2016 Name	1 July 2015	Granted	Exercised	Other Changes	30 June 2016	Vested & exercisable	Unvested
Directors							
HA Gardner [1]	15,000,000	-	-	(15,000,000)	-	-	-

1 Heather Gardner ceased employment as CEO Onterran Ltd in February 2016 and her options were forfeited on the cessation of employment.

SHARES UNDER OPTION

There were no unissued ordinary shares of Onterran Limited under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of Onterran Limited were issued during the year ended 30 June 2016 (2015: nil) on the exercise of options issued under the Onterran Limited Long-term Incentive Plans. No shares have been issued since that date.

(ii) Share holdings

The number of shares in the Company held during the financial year by each director of Onterran Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2016 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year	Nominally held
Directors of Onterran Limited					
Ordinary shares					
H A Gardner [1]	12,500,000	-	689,981	13,189,981	-
W N Bloomer	88,000,000	-	-	88,000,000	-
L S McIntosh	4,500,000	-	-	4,500,000	-
D Bottomley [2]	15,025,000	-	-	15,025,000	-
P C Constable [2]	19,155,000	-	-	19,155,000	-
Other key management personnel of the Group					
P V McMahon [3]	250,000	-	449,438	699,438	-
I Ginbey	-	-	-	-	-

Note: Above shareholdings are as at 30 June 2016, pre the eight for one share consolidation which took place in August 2016. Therefore this table does not reconcile to directors holdings detailed at the start of this directors' report.

1 Heather Gardner acquired 689,981 shares in an on-market transaction during the course of the year.

2 PC Constable resigned on 21 December 2015. D Bottomley resigned on 21 December 2015.

3 Issued in lieu of cash as payment for a bonus under P V McMahon's employment contract.

E. ADDITIONAL INFORMATION

LOANS TO DIRECTORS AND EXECUTIVES

There were no loans to directors and executives for financial years 2016 and 2015.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Rent charges totalling $98,320 was paid to entities controlled by Wayne Bloomer for the use of office premises for the year ended 30 June 2016. The related rental contracts are on an arm's length basis.

As part of the acquisition of BCQ, the Group has agreed to pay Kurrewa Holdings Pty Ltd, an entity related to W Bloomer additional consideration of up to 46,153,846 ordinary shares at a deemed issue price of $0.065 cents per share (pre-share consolidation) conditional upon BCQ between 1 March 2015 and 30 June 2017 having achieved an aggregate EBIT of between $5.0m and $8.0m – refer note 17 for additional detail.

22 Capital Pty Ltd, an entity related to Lachlan McIntosh provided professional services to the Company in respect of securing funding for the business and advising on potential development projects. 22 Capital Pty Ltd was engaged on an arms-length basis and was paid $111,500 for these services.

Annapurna Investment Holdings Pty Ltd, an entity related to Heather Gardner, provided a loan of $500,000 to re-finance a receivable due to McGrath Modular (note 19). This loan was provided on an arms-length basis and incurs interest of 20% per annum, the same interest rate that is in place for McGrath's developer client. For the year ended 30 June 2016 interest of $23,831 was paid to in respect of the loan – refer note 28 for additional detail

This is the end of the audited remuneration report.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Onterran Limited paid a premium of $57,793 (2015: $59,385) to insure the directors and officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

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

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PKF Hacketts Audit) for audit and non-audit services provided during the year are set out below.

The Board has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	Consolidated	
	2016 $	**2015 $**
Audit services		
Audit and review of financial report		
- parent entity auditors PKF Hacketts Pty Ltd	**129,318**	14,000
- parent entity auditors BDO Audit (WA) Pty Ltd	**-**	79,818
Non-audit services		
Tax services from PKF Hacketts Pty Ltd	**18,725**	7,500
Tax services (from a BDO audit (WA) Pty Ltd related entity)	**-**	21,350
Other non-assurance services from PKF Hacketts Pty Ltd	**-**	59,725
Total remuneration for audit and other services	**148,043**	182,393

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

ROUNDING OF AMOUNTS

The Company has applied the relief available to it in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly certain amounts in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PKF Hacketts Audit continues in office, in accordance with section 327 of the *Corporations Act 2001*.

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

Lachlan McIntosh
Executive Chairman

Brisbane
30 September 2016

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
TO THE DIRECTORS OF ONTERRAN LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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

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

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 30 September 2016

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FINANCIAL STATEMENTS

These financial statements cover Onterran Limited ("Company") and its subsidiaries ("Group"). The financial statements are presented in Australian dollars.

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

Onterran Limited
Suite 1a, 201 Leichhardt Street
Spring Hill QLD 4000

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report on page 6 - 7.

The financial statements were authorised for issue by the directors on 30 September 2016. The Company has the power to amend and reissue the financial statements.

Through the use of the internet, the Company has ensured that its corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial statements and other information are available on the Company's website: **www.onterran.com**

For queries in relation to the Company's reporting please call the Company Secretary on **+61 7 3668 0660.**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Revenue from continuing operations	5	**265,671**	80,272
Other income / (loss)	6	**292**	(378)
Raw materials, consumables and contract labour		**(255,241)**	(70,504)
Employee benefits expense	7	**(9,597)**	(5,246)
Depreciation and amortisation expense		**(987)**	(1,368)
Borrowing cost expense	7	**(431)**	(100)
Operating lease costs	7	**(1,387)**	(1,340)
Corporate and administration expenses	7	**(2,388)**	(2,176)
Impairment write back / (expense)	7	**983**	(21,137)
Fair value movement in contingent consideration	17	**2,348**	(345)
Other expenses		**(3)**	(1,059)
(Loss) before income tax		**(740)**	(23,381)
Income tax (expense)	8	**-**	-
(Loss) after income tax from continuing operations		**(740)**	(23,381)
(Loss) from discontinued operations net of income tax	23	**(1,015)**	(2,004)
Total comprehensive (loss) for the year attributable to members of Onterran Limited		**(1,755)**	(25,385)
Loss Per Share attributable to the members of Onterran Limited			
Basic loss per share	33	**(0.38)**	(8.2)
Diluted loss per share	33	**(0.38)**	(8.2)
Continuing Operations			
Basic loss per share	33	**(0.16)**	(7.6)
Diluted loss per share	33	**(0.16)**	(7.6)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 $'000	2015 (re-stated) $'000
ASSETS			
Current assets			
Cash and cash equivalents		**5,410**	5,680
Cash held as security		**3,218**	2,906
Trade and other receivables	10	**34,575**	27,082
Prepayments		**774**	312
Work in progress	11	**13,965**	11,089
Non-current assets held for sale	12	**768**	1,716
Current tax asset		**-**	202
Total current assets		**58,710**	48,987
Non-current assets			
Property, plant and equipment	13	**2,283**	2,348
Investment property	14	**-**	536
Intangible assets	16	**9,323**	9,509
Total non-current assets		**11,606**	12,393
Total assets		**70,316**	61,380
LIABILITIES			
Current liabilities			
Trade and other payables	18	**45,167**	30,623
Deferred income	11	**4,680**	2,848
Interest bearing liabilities	19	**7,025**	3,164
Provisions	20	**340**	5,972
Total current liabilities		**57,212**	42,607
Non-current liabilities			
Interest bearing liabilities	19	**76**	101
Provisions	21	**80**	1,469
Other financial liabilities	17	**-**	2,348
Total non-current liabilities		**156**	3,918
Total liabilities		**57,368**	46,525
Net assets		**12,948**	14,855
EQUITY			
Contributed equity	22	**117,506**	117,486
Reserves		**-**	172
Accumulated losses		**(104,558)**	(102,803)
Total equity		**12,948**	14,855

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Contributed Equity $'000	Share Based Payment Reserve $'000	Option Reserve $'000	(Accumulated Losses) $'000	Total $'000
Balance at 1 July 2014	107,773	-	106	(77,524)	30,355
Total comprehensive loss for year ended 30 June 2015	-	-	-	(25,385)	(25,385)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	9,713	-	-	-	9,713
Equity settled share based payment	-	127	-	-	127
Employee share options issued	-	-	45	-	45
Employee share options lapsed	-	-	(106)	106	-
Balance as at 30 June 2015	117,486	127	45	(102,803)	14,855
Total comprehensive loss for year ended 30 June 2016	**-**	**-**	**-**	**(1,755)**	**(1,755)**
Transactions with owners in their capacity as owners:					
Equity settled share based payment	**20**	**381**	**-**	**-**	**401**
Equity settled share based payment reversal (note 17 (c))	**-**	**(508)**	**-**	**-**	**(508)**
Employee share options forfeited	**-**	**-**	**(45)**	**-**	**(45)**
Balance as at 30 June 2016	**117,506**	**-**	**-**	**(104,558)**	**12,948**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**251,031**	63,618
Payments to suppliers and employees (inclusive of GST) **		**(254,024)**	(68,745)
Cash used in operations		**(2,993)**	(5,127)
Interest paid		**(144)**	(100)
Income taxes received/(paid)		**202**	(119)
Net cash flow used in operating activities	32	**(2,935)**	(5,346)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired **	17	**-**	2,247
Proceeds from disposal of subsidiary net of cash disposed		**(30)**	-
Payment for development asset	16	**(80)**	-
Payment for leasehold development asset		**-**	(2,910)
Payments for property, plant and equipment	13 & 14	**(1,068)**	(85)
Proceeds from sale of property, plant and equipment		**1,408**	253
Transfer (to) / from cash held in trust		**(1,001)**	(326)
Interest received		**323**	76
Net cash (outflow) / inflow from investing activities		**(448)**	(745)
Cash flows from financing activities			
Net proceeds from borrowings	19	**3,793**	2,265
Proceeds from the issue of shares, net of transaction costs		**-**	3,211
Repayment of hire purchase and lease payments		**(680)**	(249)
Net cash inflow from financing activities		**3,113**	5,227
Net increase / (decrease) in cash and cash equivalents		**(270)**	(864)
Cash and cash equivalents at the beginning of the financial year		**5,680**	6,544
Cash and cash equivalents at the end of the financial year		**5,410**	5,680

** Cash outflow from operations ($2,993,000) includes a $1.7m outflow in respect of the McGrath Modular debt referred to in note 10(b) which is expected to generate an offsetting inflow of $2.0m in FY17. Also included in the operating cash outflow is an outflow of $2.1m in respect of McGrath's Pindan project (see ASX announcement of August 2015) which will also reverse in FY17. This project has been financed by way of a short term $3.25m finance facility from National Australia Bank which as at the date of this report has been reduced to $0.75m and will be repaid in full by September 30th 2016.

Included within investing activities for the comparative period (year ended 30 June 2015) is $3.7m of cash acquired on the acquisition of BCQ. This represents cash generated from the pre-acquisition operating activities of BCQ. Post-acquisition this cash was utilised to pay BCQ suppliers and employees included within the operating cash outflow for the year ended 30 June 2015 above.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include financial statements for the Group consisting of Onterran Limited and its subsidiaries.

(A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretation and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Onterran Limited is a for-profit entity for the purpose of preparing the financial statements. The Board of Directors approved the financial statements for issue on 30 September 2016.

Going concern principle

The financial statements have been prepared on a going concern basis that presumes the realisation of assets and the discharge of liabilities in the normal course of operations for the foreseeable future. During the year the Group recorded a total comprehensive loss of $1,755,000 (2015: loss of $25,385,000) and operating cash outflows of $2,935,000 (2015: outflows of $5,346,000). Furthermore, the net current asset surplus has decreased from $6,380,000 at 30 June 2015 to $1,498,000 at 30 June 2016. Net current assets are supported by the future recoverability of work in progress at estimated profit levels and the recoverability of trade debtors. Therefore, the ability of the Group to continue on a going concern basis is dependent upon the Groups' success in achieving budgeted sales and positive cash flow from operations.

The Group has forecast a strong return to profitability and positive operating cash flow in the 2017 financial year and accordingly the Directors believe the Group is a going concern and will be able to pay its debts as and when they fall due and payable.

These financial statements do not give effect to any adjustments which could be necessary should the company be unable to continue as a going concern and therefore be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying preliminary financial report.

Compliance with IFRS

The financial statements of Onterran Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(B) COMPARATIVE FIGURES

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

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

During the year ended 30 June 2016, measurement period adjustments were made to finalise the provisional accounting entries posted during the year ended 30 June 2015. Comparative amounts reflect these adjustments. Refer to note 17 for additional information.

(C) PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Onterran Limited ("parent entity") as at 30 June 2016 and the results of all subsidiaries for the year then ended. Onterran Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(D) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(E) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for major business activities as follows:

(i) Construction contract revenue

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

If the outcome of a construction contract can be measured reliably, then contract revenue is recognised in profit and loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed.

An expected loss on a contract is recognised immediately in profit and loss.

(ii) Hire revenue

Hire revenue is recognised at the fair value of the consideration received or receivable. It is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

(iii) Interest income

Interest income is recognised on a time proportional basis using the effective interest method.

(F) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

Tax consolidation legislation

Onterran Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity Onterran Limited and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(G) LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

(H) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group on acquisition date. Any goodwill that arises is tested annually for impairment.

Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that is required to be replaced in a business combination. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit and loss.

The acquisition date is the date on which the Group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity and transaction costs arising on the issue of debt as part of the consideration are accounted for in accordance with note 1(t).

(I) IMPAIRMENT OF ASSETS

Goodwill is not subject to amortisation and is tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for each where there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(J) CASH AND CASH EQUIVALENTS

For statement of cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(K) TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are generally due for settlement within 15 days from date of invoice.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment expenses in the statement of profit or loss and other comprehensive income.

(L) INVENTORIES

(i) Raw materials and stores

Raw materials and stores are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of 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.

(ii) Construction work in progress

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits, the net amounts are presented under other liabilities. Expected losses to complete a contract in progress are recognised immediately.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the Group's construction activities in general.

(M) INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

(iv) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(N) NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised. Interest expense continues to be recognised on liabilities of a disposal group classified as held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset but not exceeding any cumulative impairment losses previously recognised.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

(O) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on assets is calculated using the straight line or diminutive value method to allocate their cost amounts, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment 5 – 10 years
- Vehicles 4 – 8 years
- Furniture, fittings and equipment 3 – 10 years
- Hire buildings 8 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

(P) INVESTMENT PROPERTY

Investment properties held for rental are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less impairment.

Property under construction held for future use as investment property is also carried at cost.

Depreciation on investment property is calculated using the straight line method to allocate their cost amounts, net of their residual values, over their estimated useful lives of 8 years.

(Q) LEASEHOLD DEVELOPMENT COSTS

Leasehold development costs are held for future use as investment property.

(R) INTANGIBLE ASSETS

Intangible assets acquired in a business combination are initially measured at cost, which are their fair value at acquisition date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

(i) Goodwill

Goodwill on acquisition of subsidiaries and businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Brand names and customer relationships

Brand names and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life of 10 years and are subsequently carried at cost less accumulated amortisation.

(iii) Development costs

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the related expenditure can be reliably measured, the technical feasibility of completing the development asset can be demonstrated and the development asset will generate probable future economic benefits which will flow to the Group.

(S) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

(T) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

(U) BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use, where material. Other borrowing costs are expensed. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's outstanding borrowings during the year.

(V) PROVISIONS

Provisions for legal claims, service warranties and onerous contracts are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(W) EMPLOYEE BENEFITS

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months of the reporting date in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefits

Contributions paid or payable by the Group to employee superannuation funds are charged as an expense when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(iv) Share-based payments

Share-based compensation benefits are available to be provided to employees as determined by the Board. Information relating to the Plans is set out in note 34.

The fair value of options granted under the Onterran Long-term Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a combination of Monte Carlo simulation (for the TSR criteria) and a trinomial lattice is used to value Total Shareholder Return target options, with regression analysis being used for the NPAT hurdles. All methods take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option as appropriate.

The fair value of options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

The fair value of other employee options granted is independently valued using Black Scholes option pricing model. Service and non-market performance conditions are not taken into account in measuring fair value. The assessed fair value at issue date of options issued is allocated equally over the period from issue date to vesting dates. The valuation method takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option as appropriate.

(v) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(X) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(Y) LOSS PER SHARE

(i) Basic loss per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss 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.

(Z) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the 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 taxation authority, are presented as operating cash flows.

(AA) ROUNDING OF AMOUNTS

The Consolidated entity has applied the relief available to it in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and accordingly certain amounts in the financial information and the commentary on results have been rounded off to the nearest $1,000.

(AB) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Australian Accounting Standards that have been issued or amended but are not yet effective have not been adopted by the Group for the financial year ended 30 June 2016. Those which are relevant to the Group are set out below.

(i) AASB 9 Financial Instruments (applicable to annual reporting periods beginning on or after 1 January 2018)

The standard includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets. The adoption of this standard is expected to have no material impact on the Group's financial results and assets or liabilities.

(ii) AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018)

This standard will replace the current accounting requirements applicable to revenue with a new single, principles based model. 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 the goods and services.

Although the directors anticipate that the adoption of AASB15 may have an impact on the Group's financial statements it is impractical at this stage to provide a reasonable estimate of such impact.

(iii) AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new standard that will affect the Group include:

- recognition of a right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116; Property Plant & Equipment in profit and loss and unwinding of the liability in principal and interest components;
- additional disclosure requirements

The adoption of AASB 16 will impact the Group's financial statements, it is impractical at this stage to provide a reasonable estimate of such impact.

(AC) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Onterran Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the financial statements of Onterran Limited.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(ii) Tax consolidation legislation

Onterran Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The parent entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Onterran Limited for any current tax payable assumed and are compensated by Onterran Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Onterran Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

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

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

FINANCIAL RISK MANAGEMENT

The Group's management of financial risk is aimed at ensuring net cash flows and facilities are sufficient to:

- meet the Group's financial commitments as and when they fall due; and
- maintain capacity to fund the growth of the Group.

The Group's overall risk management program focuses on the unpredictability of financial markets while seeking to assist the Group in meeting its financial targets and minimising potential adverse effects on the financial performance of the Group.

The Executive Directors and Chief Financial Officer prepare financial and cash forecasts which are analysed in context of the most recent economic conditions and forecasts. Risk exposure is assessed and risk management strategies including credit risk policies, cash flow requirements and finance facility management are developed with the Board of Directors.

The areas of key financial risk for the business are effectively the same as in prior periods and therefore continue to be managed as per prior periods.

The Group holds the following financial instruments:

	Consolidated	
	2016 $'000	**2015 (re-stated) $'000**
Financial assets		
Cash and cash equivalents	**5,410**	5,680
Cash held in trust	**3,218**	2,906
Trade and other receivables	**34,575**	27,082
	43,203	35,668
Financial liabilities measured at fair value		
Deferred consideration (note 17)	**-**	2,348
	-	2,348
Financial liabilities at amortised cost		
Secured bank borrowings	**4,750**	3,077
Secured third party borrowings	**2,120**	-
Finance lease liabilities	**168**	163
Other borrowings	**63**	26
Trade and other payables	**45,167**	30,623
	52,268	33,889

(A) MARKET RISK

(i) Cash flow and Interest Rate Risk

The Group is exposed to interest rate risk on the secured bank loans ($4.75m) at 30 June 2016 which represent a trade finance facility for McGrath Modular with National Australia Bank Limited (NAB) secured by a general security interest over the assets of the Group. The nominal interest rate is NAB's quoted Australian Trade Refinance (ATR) Rate plus a margin of 2.5%.

At 30 June 2016 the Group did not have any other borrowings, on which it was exposed to interest rate risk. Interest charges on the Group's secured third party borrowings ($2.1m) are passed on to a developer client in accordance with the terms of the related construction contract (see note 19).

The Group is exposed to changes in interest rates from cash deposits.

As the Group has no interest-bearing assets other than cash at bank, the Group's income and operating cash flows are not exposed significantly to changes in market interest rates.

(B) CREDIT RISK

Credit risk refers to the risk that a contracting party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy that requires a detailed financial assessment of contracting parties to ensure that sales of products are made to customers with an appropriate credit standing and history.

Other credit risk consists of cash deposits held with high quality financial institutions each of which carries a Moody's short term credit rating of P-2 or above. The credit risk exposure of the Group in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

NOTE 2: FINANCIAL RISK MANAGEMENT CONTINUED

(C) LIQUIDITY RISK

At 30 June 2016 the Group had access to a $3,750,000 bank guarantee facility with National Australia Bank (NAB) fully secured with $2,930,000 cash in trust and the balance against Group assets.

At 30 June 2016 the Group had available an undrawn $1.0m overdraft facility with NAB. The nominal interest rate is NAB's Business Overdraft Prime Indicator Rate plus a margin of 2.5%.

(i) Financing Arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2016 $'000	2015 $'000
Floating rate		
Bank loans and overdraft expiring within 1 year	**1,000**	-
Bank loans and overdraft expiring beyond 1 year	**-**	-
Other		
Contingent Instrument facility	**64**	554
Total	**1,064**	554

(ii) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual cash flows					Total
	Less than 6 months $'000	6 - 12 months $'000	Between 1 & 2 Years $'000	Between 2 & 5 Years $'000	More than 5 Years $'000	Carrying amount (assets)/ liabilities $'000
At 30 June 2016						
Non-derivatives						
Trade and other payables	**45,167**	**-**	**-**	**-**	**-**	**45,167**
Secured bank borrowings	**4,750**	**-**	**-**	**-**	**-**	**4,750**
Secured third party borrowings	**2,120**	**-**	**-**	**-**	**-**	**2,120**
Other borrowings	**63**	**-**	**-**	**-**	**-**	**63**
Finance lease liabilities	**46**	**46**	**71**	**5**	**-**	**168**
	52,146	**46**	**71**	**5**	**-**	**52,268**
At 30 June 2015						
Non-derivatives						
Trade and other payables	30,623	-	-	-	-	30,623
Borrowings	3,077		-	-	-	3,077
Deferred consideration	-	-	-	2,348	-	2,348
Other borrowings	26	-	-	-	-	26
Finance lease liabilities	30	31	61	41	-	163
	33,756	31	61	2,389	-	36,237

(D) INTEREST RATE RISK

Certain Group bank accounts are bearing floating interest rates currently ranging between 1.50% and 3.00% (2015: between 0.99% and 2.87%).

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk:

		- 50 bps		+ 50 bps	
	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2016					
Financial assets					
Cash and cash equivalents	**5,410**	**(27)**	**(27)**	**27**	**27**
Cash held in trust	**3,218**	**(16)**	**(16)**	**16**	**16**
Financial liabilities					
Borrowings	**4,750**	**24**	**24**	**(24)**	**(24)**
		(19)	**(19)**	**19**	**19**
2015					
Financial assets					
Cash and cash equivalents	5,680	(28)	(28)	28	28
Cash held in trust	2,906	(15)	(15)	15	15
Financial liabilities					
Borrowings	-	-	-	-	-
		(43)	(43)	43	43

A 50 basis point movement in interest rates has been used as this is considered by management to be the likely range of change in interest rates in the next 12 months.

NOTE 3: FAIR VALUE MEASUREMENT

To provide an indication of the reliability of the inputs used in determining fair value, the Group classifies its fair value assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Non-current assets held for sale	**-**	**-**	**300**	**300**
Total assets	**-**	**-**	**300**	**300**
Total liabilities	**-**	**-**	**-**	**-**

At 30 June 2015 (re-stated)	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Non-current assets held for sale	-	-	1,716	1,716
Total assets	-	-	1,716	1,716
Liabilities				
Contingent consideration payable	-	-	2,348	2,348
Total liabilities	-	-	2,348	2,348

NOTE 3: FAIR VALUE MEASUREMENT CONTINUED

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The group did not measure any fair valued assets or liabilities on a non-recurring basis as at 30 June 2016.

(i) LEVEL 1

The fair value of financial instruments and assets traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) LEVEL 2

The fair value of financial instruments and assets that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all specific inputs required to fair value an item are observable, the item is included in level 2.

(iii) LEVEL 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the changes in level 3 items for the year ended 30 June 2016;

At 30 June 2016	Non-current assets held for sale $'000	Contingent consideration payable $'000	Total $'000
Opening balance 1 July 2015 (re-stated)	**1,716**	**(2,348)**	**(632)**
Transfers out of level 3 (assets sold)	**(1,197)**	**-**	**(1,197)**
(Losses)/Gains recognised in statement of profit or loss & other comprehensive income (note 6)	**(219)**	**2,348**	**2,129**
Closing balance 30 June 2016	**300**	**-**	**300**

There were no transfers between levels during the year ended 30 June 2016.

(D) CONTINGENT CONSIDERATION PAYABLE (NOTE 17)

Deferred consideration relating to the acquisition of BCQ has been valued using a level 3 fair valuation assessment and considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast EBIT, the amount to be paid under each scenario and the probability of each scenario. Significant unobservable inputs are the forecast growth rate, forecast EBIT margin (2016: 0.7%) and the risk adjusted discount rate (2016: 20%).

At 30 June 2016 the Board has reassessed the fair value of the contingent consideration against the related targets and concluded that it's unlikely the additional consideration will be paid. Accordingly, the financial liability has been reduced to nil at 30 June 2016. Accordingly, the estimated fair value would increase if the forecast growth rate and EBIT margin were higher.

(E) NON-CURRENT ASSETS HELD FOR SALE (NOTE 12)

Non-current assets held for sale and carried at fair value are the house and land at Roma, QLD. The fair value has been determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(A) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill and property, plant and equipment

Goodwill is recognised as part of business combinations. An impairment test has been performed which involves the use of assumptions and estimates (see note 16). If there are any significant changes in the assumptions or estimates for goodwill impairment testing it may have a material impact on the carrying value.

(ii) Revenue Recognition

In accordance with the accounting policy detailed in note 1(e)(i), the Group recognises revenue for the major business activities using the percentage completion method as outlined in AASB 111 – Construction Contracts. This involves reporting revenue, expenses and the profit attributable based on reliable estimates of the outcome of the construction contract.

Were the actual final completion costs to differ by 10% from management's estimates on all works in progress at year end, the Group would need to:

- decrease profit before tax by $1,950,000, if unfavourable;
- increase profit before tax by $1,970,000, if favourable.

(iii) Recovery of Deferred Tax Assets

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

(iv) Deferred Consideration

The Group has recognised nil amount for deferred consideration in respect of the BCQ acquisition payable contingent upon EBIT achieved between 1 March 2015 and 30 June 2017. In calculating the contingent consideration management has assumed BCQ EBIT will fall short of the minimum EBIT target. Actual EBIT above target would result in an increase in the amount of deferred consideration recognised which would have an adverse impact on profit and loss in future years. The carrying amount of the deferred consideration is reviewed at each reporting date – refer note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 5: REVENUE

	Consolidated	
	2016 $'000	**2015 $'000**
From continuing operations		
Sales revenue		
Construction contract revenue	**264,958**	79,788
Revenue from the hire of buildings	**394**	408
Other revenue		
Interest	**319**	76
	265,671	80,272

NOTE 6: OTHER INCOME / (LOSS)

	Consolidated	
	2016 $'000	**2015 $'000**
Net (loss) on disposal of property, plant and equipment	**(115)**	(404)
Gain on asset contribution	**405**	-
Other	**2**	26
	292	(378)

NOTE 7: EXPENSES

	Consolidated 2016 $'000	Consolidated 2015 $'000
(Loss) / Profit before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	**431**	100
Finance costs expensed	**431**	100
Rental expense relating to operating leases		
Minimum lease payments	**1,387**	1,340
Total rental expense relating to operating leases	**1,387**	1,340
Employee benefits expense		
Salary and wages	**8,765**	4,249
Superannuation expense	**114**	196
Share-based payments	**(152)**	342
Other employee expense	**870**	459
Total employee benefits expense	**9,597**	5,246
Corporate and Administration expenses		
Corporate and administration expenses	**2,388**	1,650
Share based payments	**-**	526
Total corporate and administration expense	**2,388**	2,176
Impairment expenses		
Impairment of goodwill (note 16)	**-**	15,116
Impairment of investment properties (note 14)	**-**	1,878
Impairment of leasehold development costs (note 15)	**-**	3,169
Write back / (impairment) of trade receivables	**(983)**	974
Total Impairment expenses	**(983)**	21,137
Discontinued expenses		
Impairment expenses		
Impairment of assets held for sale (note 12)	**94**	400
Impairment of property, plant and equipment (note 13)	**-**	118
Total Impairment expenses	**94**	518
Lease Expense		
Onerous lease expense	**148**	791
Total Onerous Lease expense	**148**	791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 8: INCOME TAX EXPENSE

	Consolidated	
	2016 $'000	2015 $'000
(A) INCOME TAX (REVENUE) / EXPENSE		
Current tax	**-**	-
Deferred tax	**-**	-
Adjustments for current tax of prior periods	**-**	-
	-	-
Income tax expense is attributable to:		
Profit from continuing operations	**-**	-
(Loss) from discontinued operation	**-**	-
Aggregate income tax (revenue) / expense	**-**	-
Deferred income tax (revenue) / expense included in income tax expense comprises:		
(Increase) / Decrease in deferred tax assets (note 9)	**16**	(103)
Increase / (Decrease) in deferred tax liabilities (note 9)	**(16)**	103
	-	-
(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
(Loss) from continuing operations before income tax expense (loss)	**(740)**	(23,381)
(Loss) from discontinued operations before income tax expense (loss)	**(1,015)**	(2,004)
	(1,755)	(25,385)
Tax at the Australian tax rate of 30% (2015 – 30%)	**(526)**	(7,615)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	**23**	230
Share based payments	**(8)**	67
Earn out payments	**(38)**	-
Entertainment	**2**	3
Other	**1**	28
Impairment	**139**	6,204
Capital gains/losses	**(351)**	-
Deferred tax asset not recognised	**758**	1,083
Income tax expense (benefit)	**-**	-
Adjustments for current tax for prior periods	**-**	-
Income tax (revenue) / expense	**-**	-

NOTE 9: DEFERRED TAX

(A) DEFERRED TAX LIABILITIES

	Consolidated	
	2016 $'000	2015 $'000
Temporary differences attributable to:		
Other		
Employee benefits	**55**	-
Prepayments	**-**	14
Other	**52**	109
Total deferred tax liabilities	**107**	123
Deferred tax liabilities to be settled within 12 months	**107**	123
Deferred tax liabilities to be settled after more than 12 months	**-**	-
	107	123

	Property, plant & equipment $'000	Employee Benefits $'000	Prepayment $'000	Other $'000	Total $'000
Deferred tax liabilities movement – consolidated					
At 1 July 2014	7	-	13	-	20
Debited/ (Credited) to the statement of profit or loss and other comprehensive income	(7)	-	1	109	103
Acquisition of subsidiary	-	-	-	-	-
At 30 June 2015	-	-	14	109	123
Debited/ (Credited) to the statement of profit or loss and other comprehensive income	-	55	(14)	(57)	(16)
Acquisition of subsidiary	-	-	-	-	-
At 30 June 2016	**-**	**55**	**-**	**52**	**107**

The Group recognises deferred tax assets for all deductible temporary differences and carried forward tax losses to the extent that there are offsetting deferred tax liabilities arising.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 9: DEFERRED TAX CONTINUED

(B) DEFERRED TAX ASSETS

	Consolidated	
	2016 $'000	2015 $'000
Temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	**-**	36
Share issue expenses	**7**	6
	7	42
Other:		
Provisions – other	**100**	81
Sub-total other	**100**	81
Total deferred tax assets	**107**	123
Deferred tax assets to be recovered within 12 months	**-**	-
Deferred tax assets to be recovered after more than 12 months	**107**	123
	107	123

	Employee Benefits $'000	Other $'000	Share issue expenses $'000	Total $'000
Movements – Consolidated				
At 1 July 2014	20	-	-	20
(Charged)/ credited to the statement of				
profit or loss & other comprehensive income	16	81	6	103
Charged directly to equity	-	-	-	-
Acquisition of subsidiary	-	-		-
At 30 June 2015	36	81	6	123
(Charged)/ credited to the statement of profit or loss and other comprehensive income	**(36)**	**19**	**1**	**(16)**
Charged directly to equity				
Acquisition of subsidiary				
At 30 June 2016	**-**	**100**	**7**	**107**

Unrecognised Deferred Tax Assets	2016 $'000	2015 $'000
Employee benefits	**126**	36
Other Provisions	**163**	2,047
Share Issue Expenses	**6**	11
Borrowing Costs	**-**	-
Property, Plant & Equipment	**-**	-
Carried Forward Tax Losses	**13,380**	8,951
	13,675	11,045

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 $'000	**2015 (re-stated) $'000**
Trade receivables	**34,012**	26,341
Allowance for impairment of receivables (note (a) below)	**-**	(1,557)
Other receivables	**563**	2,298
	34,575	27,082

At 30 June 2016 trade receivables include retentions of $3,604,054 (2015: $2,005,888) relating to construction contracts in progress.

(A) IMPAIRED TRADE RECEIVABLES

Trade receivables have been assessed by the directors for impairment as at the date of this report and are considered to be fully recoverable. At 30 June 2015 current trade receivables of the Group with a nominal value of $1,556,909 were considered impaired. The amount of the allowance was $1,556,909.

The ageing of these receivables is as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
Up to 3 months	**-**	478
3 to 6 months	**-**	465
Over 6 months	**-**	614
	-	1,557

Movements in the allowance for impairment of receivables are as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
At 1 July	**1,557**	311
Impairment reversed during the year	**(983)**	(311)
Impaired receivables acquired via business combination	**-**	583
Receivables written off during the year as uncollectable	**(574)**	974
	-	1,557

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES CONTINUED

(B) PAST DUE BUT NOT IMPAIRED

As at 30 June 2016, trade receivables of $3,434,904 (2015: $859,009) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2016 $'000	2015 $'000
Up to 3 months	**1,107**	859
3 to 6 months	**2,069**	-
Greater than 6 months	**259**	-
	3,435	859

Balances up to 3 months relates to a number of independent customers for whom there is no recent history of default.

The 3 to 6 months figure includes $2,047,365 due from a development client of McGrath Modular. The development is an eight unit apartment development in Port Hedland, Western Australia. McGrath's contract with the developer provides for interest on overdue amounts at a rate of 20% per annum and the receivable is secured by registered specific property securities and personal guarantees granted to McGrath by the developer. This asset has been assessed by the directors for impairment as at the date of this report and is considered to be fully recoverable.

The balance greater than 6 months represents the final payment due from a development client of BCQ on a construction contract in excess of $5.0m. The client is in the process of selling the developed asset to repay this debt.

The other classes within trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

(C) OTHER RECEIVABLES

These amounts relate to other transactions outside the usual operating activities of the Group and include:

- $240,627 in respect of interest and costs due on the McGrath Modular debt at (b) above; and
- $210,531 in respect of the settlement net asset adjustment on acquisition of BCQ (note 17).

(D) MAXIMUM EXPOSURE

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

(E) FAIR VALUE

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Notes to the Consolidated Financial Statements

NOTE 11: CURRENT ASSETS – WORK IN PROGRESS

	Consolidated	
	2016 $'000	2015 (re-stated) $'000
Construction work-in-progress	**13,931**	10,988
Raw materials and stores – at cost	**34**	101
	13,965	11,089

At 30 June 2016 aggregate costs incurred under open construction contracts and recognised profit, net of recognised losses, amounted to $221,878,000 (2015: $58,271,000). Progress billings and advances received from customers under open construction contracts amounted to $242,067,286 (2015: $58,199,000). Advances for which related work has not started, and billings in excess of costs incurred and recognised profits are presented as deferred income and amounted to $4,680,000 at 30 June 2016 (2015: $2,848,000).

NOTE 12: NON-CURRENT ASSETS HELD FOR SALE

	Consolidated	
Assets classified as held for sale	2016 $'000	2015 $'000
Opening Balance at 1 July	**1,716**	1,800
Disposals	**(1,322)**	-
Transfer from property plant and equipment (note 13)	**-**	316
Transfer from investment property (note 14)	**468**	-
Impairment (note 7)	**(94)**	(400)
	768	1,716

During the year ended 30 June 2016 Rapley Wilkinson's five strata titled units in Derby WA were sold. Prior to sale an impairment charge of $94,000 was recognised.

Assets classified as held for sale at 30 June 2016 consist of a house and land at Roma, QLD, and the King Village accommodation asset in Karratha, Western Australia.

The fair value of the Roma house and land at 30 June 2016 has been determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value measurement has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The Company is in discussions with an interested party to sell the King Village accommodation asset. At 30 June 2016 this had been included within non-current assets held for sale at its carrying value which is considered to be lower than the fair value less costs to sell on a Level 3 fair valuation basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 13: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Hire buildings	Land & buildings	Plant & equipment	Total
Year ended 30 June 2015				
Opening net book amount	76	2,612	831	3,519
Acquisition through business combination (note 17)	-	-	262	262
Additions	-	-	143	143
Disposals	(63)	(162)	(431)	(656)
Transfer to/(from) assets held for sale (note 12)	-	(316)	-	(316)
Impairment charge (note 7)	-	(118)	-	(118)
Depreciation charge	(4)	(293)	(189)	(486)
Closing net book amount	9	1,723	616	2,348
At 30 June 2015				
Cost or fair value	19	2,056	1,272	3,347
Accumulated depreciation	(10)	(333)	(656)	(999)
Net book amount	9	1,723	616	2,348
Year ended 30 June 2016				
Opening net book amount	**9**	**1,723**	**616**	**2,348**
Additions	**-**	**943**	**629**	**1,572**
Disposals	**(8)**	**(306)**	**(9)**	**(323)**
Transfer to cost of goods sold/raw materials	**-**	**(866)**	**-**	**(866)**
Depreciation charge	**(1)**	**(197)**	**(250)**	**(448)**
Closing net book amount	**-**	**1,297**	**986**	**2,283**
At 30 June 2016				
Cost or fair value	**-**	**1,797**	**1,840**	**3,637**
Accumulated depreciation	**-**	**(500)**	**(854)**	**(1,354)**
Net book amount	**-**	**1,297**	**986**	**2,283**

NOTE 14: INVESTMENT PROPERTY – AT COST

	Consolidated	
	2016 $'000	2015 $'000
Opening balance at 1 July	**536**	2,541
Additions	**-**	11
Depreciation for the year	**(68)**	(138)
Transfer to non-current assets held for sale (note 12)	**(468)**	-
Impairment (note 7)	**-**	(1,878)
Balance at end of year	**-**	536

At 30 June 2016 the King Village accommodation asset was transferred to non-current assets held for sale (see note 12).

(A) AMOUNTS RECOGNISED IN PROFIT OR LOSS FOR INVESTMENT PROPERTIES

The following amounts have been recognised in the statement of profit or loss and other comprehensive income in respect of investment property:

	Consolidated	
	2016 $'000	2015 $'000
Rental income	**394**	410
Direct operating expenses arising from investment property that generated rental income during the year	**(447)**	(593)
	(53)	(183)

NOTE 15: LEASEHOLD DEVELOPMENT COSTS

	Consolidated	
	2016 $'000	2015 $'000
Opening Balance	**-**	3,169
Additions	**-**	-
Impairment (note 7)	**-**	(3,169)
Closing Net Book Amount	**-**	-

In 2012, Nomad Properties, a subsidiary of Onterran, entered into an agreement with the State of Western Australia which provided Onterran with an option to enter into a lease for two plots of land in South Headland. The costs represented architect and design fees and site works on the two plots of land. Based on the significant uncertainty concerning the tenure and development opportunities relating to this asset it was fully impaired during the year ended 30 June 2015. During the year ended 30 June 2016 the option was allowed to lapse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 16: INTANGIBLE ASSETS

Consolidated	Goodwill (re-stated) $'000	Brand Name (re-stated) $'000	Customer Relationships (re-stated) $'000	Development Costs (re-stated) $'000	Other $'000	Total $'000
Year ended 30 June 2015 (re-stated)						
Opening net book amount	16,416	-	-	-	-	16,416
Acquisitions through business combinations	5,679	1,528	1,002	-	766	8,975
Impairment charge	(15,116)	-	-	-	-	(15,116)
Amortisation	-	-	-	-	(766)	(766)
Closing net book amount	6,979	1,528	1,002	-	-	9,509
At 30 June 2015 (re-stated)						
Cost or fair value	94,536	1,528	1,002	-	766	97,832
Accumulated amortisation and impairment	(87,557)	-	-	-	(766)	(88,323)
Net book amount	6,979	1,528	1,002	-	-	9,509
Year ended 30 June 2016						
Opening net book amount	**6,979**	**1,528**	**1,002**	**-**	**-**	**9,509**
Acquisitions - internally developed	**-**	**-**	**-**	**80**	**-**	**80**
Amortisation	**-**	**(153)**	**(100)**	**(13)**	**-**	**(266)**
Closing net book amount	**6,979**	**1,375**	**902**	**67**	**-**	**9,323**
At 30 June 2016						
Cost or fair value	**94,536**	**1,528**	**1,002**	**80**	**-**	**97,146**
Accumulated amortisation and impairment	**(87,557)**	**(153)**	**(100)**	**(13)**	**-**	**(87,823)**
Net book amount	**6,979**	**1,375**	**902**	**67**	**-**	**9,323**

A) GOODWILL

(i) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below:

	2016 $'000	2015 (re-stated) $'000
Modular	**1,300**	1,300
Construction	**5,679**	5,679
	6,979	6,979

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections for a five year period based on financial budgets approved by management for the following year, and then extrapolating the first year using an estimated growth rate per annum for years two, three, four and five with a final terminal value adopted based on management's estimated growth rate.

Testing for impairment of goodwill is carried out on an annual basis or more frequently if events or changes in circumstances indicate that it might be impaired. During the year ended 30 June 2015 as a result of the impairment testing process there was an impairment charge of $15,116,340 made against goodwill in the Modular CGU. This reflected subdued commercial activity in the McGrath business particularly in regions exposed to the mining industry. The carrying value of goodwill was re-tested at 30 June 2016 and management are satisfied that following actions to improve the McGrath business no further impairment in the carrying value of the Modular CGU goodwill is necessary.

Construction CGU goodwill arises on acquisition of BCQ and has been tested for impairment at 30 June 2016. Management are satisfied that no impairment is necessary as at the reporting date.

(ii) Key assumptions used for value-in-use calculations

	Revenue Growth Rate %	Discount Rate %
Year ended 30 June 2016		
Modular	**2.2**	**20.0**
Construction	**(14.1)**	**20.0**
Year ended 30 June 2015		
Modular	2.5	16.3
Construction	2.5	16.3

The Modular CGU revenue growth rate is based on expectations of Australia's GDP growth rate. The negative revenue growth rate for the Construction CGU reflects the Board's strategy of reducing BCQ's third party revenues to focus on smaller quality projects which will deliver higher margins and EBITDA.

The discount rate is based on general construction industry rates of return adjusted for a risk premium relating to the Group's recent trading performance.

(iii) Impact of possible changes in key assumptions

The recoverable amount of the goodwill of the Transportable CGU exceeds the carrying amount of goodwill at 30 June 2016. The discount rate applied to the cash flow projections would have to be 50.5% or the actual EBITDA achieved would have to be at least 50.2% below the forecasted amount for each year before the recoverable amount of goodwill would equal the carrying amount for the Transportable CGU. Management does not consider it likely that a change in any of the key assumptions would result in the need to impair goodwill.

The recoverable amount of the goodwill of the Construction CGU exceeds the carrying amount of goodwill at 30 June 2016. The discount rate applied to the cash flow projections would have to be 51.4% or the actual EBITDA achieved would have to be at least 51.0% below the forecasted amount for each year before the recoverable amount of goodwill would equal the carrying amount for the Construction CGU. Management does not consider it reasonably likely that a change in any of the key assumptions would result in the need to impair goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 16: INTANGIBLE ASSETS CONTINUED

(B) OTHER INTANGIBLES

Brand and customer relationships were acquired as part of the acquisition of BCQ (see note 17 for details). They are recognised at their fair value at the date of acquisition based on an external valuation and are subsequently amortised on a straight line basis over ten years which is their estimated useful life.

Notes to the Consolidated Financial Statements

NOTE 17: ACQUISITION OF SUBSIDIARY

During the year ended 30 June 2015 the Group acquired 100% of the shares and voting interests in Bloomer Constructions (Qld) Pty Ltd (BCQ). The results of BCQ were consolidated from 1 March 2015 which was the deemed date of effective control.

As set out in note 17 to the Groups 2015 Annual Report, the accounting for the acquisition of BCQ was provisional. In accordance with accounting standards new information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date has led to revisions to the acquisition accounting. In adopting this revised accounting the Group has restated the Statement of Financial Position at 30 June 2015.

As set out below, the revisions to the accounting are two-fold and impact upon:

1. The consideration transferred and the settlement net asset adjustment; and
2. The fair value of the assets acquired and liabilities assumed, and consequently goodwill.

(A) CONSIDERATION TRANSFERRED

	Re-stated $'000	Provisional $'000
Purchase Consideration		
Cash paid	1,500	1,500
Equity instruments (88,000,000 ordinary shares)	5,368	5,368
Deferred consideration	2,003	2,003
Settlement net asset adjustment	(2,260)	(198)
Total Purchase Consideration	6,611	8,673

The settlement net asset adjustment is a mechanism within the Share Purchase Agreement that provided for an adjustment to the purchase consideration by the amount by which the net assets of BCQ differed from $5.0m on the transaction completion date. The provisional net asset adjustment was $198,000 payable by the vendor to the Group. This provisional sum was subsequently revised to $2,260,000 payable to the Group following a change to the BCQ work in progress at the completion date. The balance due under the settlement net asset adjustment was $210,531 at 30 June 2016 and is included within Trade and Other Receivables in the Statement of Financial Position.

(B) DEFERRED CONSIDERATION

The Group has agreed to pay the vendor additional consideration of up to 46,153,846 ordinary shares at a deemed issue price of $0.065 per share (pre the 8 for 1 share consolidation approved at the August 15th 2016 EGM) conditional upon BCQ between 1 March 2015 and 30 June 2017 having achieved an aggregate EBIT of between $5.0m and $8.0m. The full consideration of 46,153,846 ordinary shares will be payable if BCQ achieves an actual EBIT of $8.0m or more and will be reduced proportionately for each $1, up to a maximum of $3.0m, by which the actual EBIT is less than $8.0m. For example, if the actual EBIT is $7.0m the additional consideration will be 30,769,231 ordinary shares.

The following table sets out the movement in deferred consideration in the period.

	2016 $'000	2015 $'000
Deferred consideration		
Opening balance at 1 July	**2,348**	-
Deferred consideration on acquisition of BCQ	**-**	2,003
Fair value revaluation of contingent consideration	**(2,348)**	345
Balance at end of year	**-**	2,348

At acquisition date the Group included $2,003,000 as contingent consideration related to the additional consideration which represented its fair value at that time. At 30 June 2015, the contingent consideration had increased to $2,348,377.

At 30 June 2016 the Board has reassessed the fair value of the contingent consideration against the related targets and concluded that it's unlikely the additional consideration will be paid. Accordingly, the financial liability has been reduced to nil at 30 June 2016.

(C) ACQUISITION RELATED COSTS

Wayne Bloomer entered into an executive employment agreement with the Company for a term of five years pursuant to the purchase and sale agreement. The Group agreed to issue the vendor 30,000,000 ordinary shares at a deemed issue price of $0.05 (pre the 8 for 1 share consolidation approved at the August 15th 2016 EGM) conditional upon Wayne Bloomer continuing to be employed under that agreement on 30 June 2017. The Company determined the fair value of this equity settled transaction to be $1,650,000 based upon the listed share price of the company on the date Wayne Bloomer signed the employment agreement. This expense was to accumulate in an equity reserve with a corresponding charge in the statement of profit and loss and other comprehensive income for the services rendered. As at 30 June 2015 the share based payment reserve was $127,000.

During June 2016, Wayne Bloomer and the Company agreed to terminate the executive employment agreement. A new agreement was signed and Wayne Bloomer remains employed by BCQ on revised terms and conditions in the role of Business Development Director. The vendor has forfeited the right to the 30,000,000 ordinary shares which will not now be issued. In accordance with accounting standards the related share based payment reserve of $127,000 has been credited to the statement of profit and loss and other comprehensive income in the year ended 30 June 2016.

The following table sets out the movement in the equity reserve in the period.

	2016 $'000	2015 $'000
Share based payment equity reserve		
Opening balance at 1 July	**127**	-
Equity settled share based payment	**381**	127
Forfeiture of share based payment	**(508)**	-
Balance at end of year	**-**	127

NOTE 17: ACQUISITION OF SUBSIDIARY CONTINUED

(D) IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

New information obtained within one year of the acquisition date about facts and circumstances that existed at the acquisition date has led to revisions to the acquisition accounting. The following table details the provisional and subsequently re-stated recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Re-stated $'000	Provisional $'000
Cash and cash equivalents	**3,747**	3,747
Cash held in trust	**820**	820
WIP & Inventory	**2,994**	6,783
Trade and other receivables	**12,714**	12,714
Property, plant and equipment	**262**	262
Trade and other payables	**(18,368)**	(18,368)
Loans and borrowings	**(1,101)**	(1,101)
Current taxation liability	**83**	(56)
Fair valued customer order book	**766**	978
Provision for onerous contracts	**(3,515)**	-
Fair value brand name	**1,528**	-
Fair value customer relationships	**1,002**	-
Net identifiable assets acquired	**932**	5,779
Add: goodwill	**5,679**	2,894
Net assets acquired	**6,611**	8,673

Net assets acquired have reduced from $8,673,000 to $6,611,000 and the purchase consideration has been reduced accordingly.

The following table sets out the movement in the affected acquisition assets and liabilities

	WIP & inventory $'000	Current taxation $000	Fair value customer order book $'000	Provision for onerous contracts $'000	Goodwill $'000	Other intangibles $'000
Provisional acquisition balance	**6,783**	**(56)**	**978**	**-**	**2,894**	**-**
Measurement period adjustment						
- retention adjustment	(2,201)	-	-	-	-	-
- onerous contract provision adjustment	(1,588)	-	(212)	(3,515)	-	-
- goodwill adjustment	-	-	-	-	2,785	
- identifiable intangible – brand	-	-	-	-	-	1,528
- identifiable intangible - customer relationships	-	-	-	-	-	1,002
Tax impact of adjustments	-	139	-	-	-	-
Re-stated acquisition balance	**2,994**	**83**	**766**	**(3,515)**	**5,679**	**2,53**

In accordance with relevant accounting standards, the completion of the provisional accounting resulted in measurement period adjustments related to matters concerned where the facts and circumstances existed at the acquisition date. If the matters had been known at the time, the information would have affected the acquisition accounting. As a result, the current annual financial report has disclosed a revision to the acquisition accounting previously disclosed for the following account balances.

1. The retention adjustment for $2,201,000 arises following an error in the provisional calculation of BCQ work in progress at acquisition date. This error existed at acquisition date but was identified in the current period during the work to finalise the acquisition accounting. The purchase consideration for the acquisition has been reduced commensurate with this adjustment.
2. The onerous contract provision adjustment for $5,315,000 arises due to the measurement period identification of project budget pricing errors which existed at acquisition date. For projects identified with budget errors which were also included within work in progress, the work in progress for these projects has been reduced by the amount of $1,588,000. A provision of $212,000 was raised against projects identified within the fair value of customer order book. For projects which did not yet have a work in progress balance, a provision for onerous contracts was recorded for the amount of $3,515,000.
3. An external valuation and allocation of the purchase price resulted in the recognition of a number of specific identifiable intangible assets (and the deferred tax impact thereon) as outlined above which has impacted the previously stated balance of goodwill. This resulted in a reallocation of goodwill to specific identifiable intangible assets of Brand $1,528,000 and Customer Relationships of $1,002,000, (refer note 16 for more details).

(E) GOODWILL

Goodwill is attributable mainly to the design and construction expertise of the BCQ workforce and the synergies expected to be achieved from integrating the company into the Group's existing business operations. None of the goodwill recognised is expected to be deductible for tax purposes except upon any future sale of the business.

Testing for impairment of goodwill is carried out on an annual basis according to each business segment. Construction goodwill was tested for impairment at 30 June 2016 and management were satisfied that no impairment was necessary as at that date.

NOTE 17: ACQUISITION OF SUBSIDIARY CONTINUED

(F) OTHER INTANGIBLES

Brand

The brand intangible asset has been recognised following a measurement period assessment of the value of the Bloomer Constructions (Qld) Pty Ltd business name undertaken by independent third party specialists.

Customer relationships

The customer relationships intangible asset arises following a measurement period assessment of the level of repeat business historically achieved by BCQ. The valuation of the customer relationships intangible asset was undertaken by independent third party specialists.

NOTE 18: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2016 $'000	2015 $'000
Trade payables	**41,667**	27,499
GST	**2,420**	1,988
Other payables	**1,080**	1,136
	45,167	30,623

Other payables represents general accruals, payroll related payables and refundable customer deposits for construction contracts.

NOTE 19: INTEREST BEARING LIABILITIES

	Consolidated	
	2016 $'000	2015 $'000
Current Liabilities		
Secured bank loans (a)	**4,750**	3,077
Secured third party borrowings (b)	**2,120**	-
Finance lease liabilities	**92**	61
Other borrowings	**63**	26
	7,025	3,164

	2016 $'000	2015 $'000
Non-current Liabilities		
Finance lease liabilities	**76**	101
	76	101

(A) SECURED BANK LOANS

The secured bank loans ($4.75m) at 30 June 2016 represent a trade finance facility for McGrath Modular with National Australia Bank Limited (NAB) secured by a general security interest over the assets of the Group. This balance comprises a $1.5m rolling trade finance facility and a $3.25m short term facility which was fully repaid in September 2016. The nominal interest rate is NAB's quoted Australian Trade Refinance (ATR) Rate plus a margin of 2.5%.

(B) SECURED THIRD PARTY BORROWINGS

During the year ended 30 June 2016, a receivable due to McGrath Modular from a developer client was used as security and re-financed (including a related party loan, see note 28) on identical terms to those in place for the developer. The development is an eight unit apartment development in Port Hedland, WA. McGrath's contract with the developer provides for interest on overdue amounts at a rate of 20% per annum and the development receivable is secured by registered specific property securities and personal guarantees granted to McGrath by the developer. The related borrowing is secured by the same securities and guarantees granted to McGrath, interest is accruing at an identical 20% per annum rate and the facility matures in April 2017.

McGrath has not taken possession of the development and other securities and is allowing the developer to market the properties as a means of paying the debt. Included within current assets at 30 June 2016 (trade receivables) is $2,316,564 in relation to the construction contract. This asset has been assessed by the directors for impairment as at the date of this report and is considered to be fully recoverable.

(C) OTHER

Finance lease liabilities relate to items of construction plant and equipment. Non-current finance lease liabilities are repayable within 2-5 years.

Other borrowings relate to insurance premium funding at 30 June 2016.

NOTE 20: CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2016 $'000	2015 (re-stated) $'000
Employee benefits	**340**	301
Contractual disputes	**-**	596
Subcontractor Superannuation	**-**	749
Provision for onerous contracts	**-**	3,515
Onerous Lease	**-**	716
Other	**-**	95
	340	5,972

The onerous release related to the premises of NES at Wacol in Brisbane. This business was sold during the year ended 30 June 2016 and the onerous lease liability was released accordingly.

Movement in provisions

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

Consolidated 2016	Contractual disputes $'000	Subcontractor Superannu-ation $'000	Onerous Contracts $'000	Onerous Lease $'000	Other $'000	Total $'000
Current						
Carrying amount at start of year	596	749	3,515	716	95	**2,156**
Additional provisions recognised/(released)	(260)	(749)	-	(528)	(57)	**(1,594)**
Amounts used during the period	(336)	-	(3,515)	(188)	(38)	**(562)**
Carrying amount at end of the year	-	-	-	-	-	**-**

NOTE 21: NON CURRENT PROVISIONS

	Consolidated	
	2016 $'000	**2015 $'000**
Onerous lease[1]	**-**	1,445
Employee benefits-long service leave	**80**	24
	80	1,469

[1] Refer to note 20 for more information

NOTE 22: CONTRIBUTED EQUITY

(A) SHARE CAPITAL

	Notes	Consolidated & Parent entity		Consolidated & Parent entity	
		2016 SHARES	**2015 SHARES**	**2016 $'000**	**2015 $'000**
Ordinary shares					
Fully paid	(b), (d), (e)	**455,176,855**	454,727,417	**117,456**	117,436
Partly paid	(c), (d), (e)	**5,000,000**	5,000,000	**50**	50
		460,176,855	459,727,417	**117,506**	117,486

(B) MOVEMENTS IN FULLY PAID ORDINARY SHARE CAPITAL

Date Details	Number of shares	Issue Price	$'000
1 July 2015 – Balance	454,727,417		117,436
Shares issued during the year			
Employee share based payment 20 April 2016[1]	449,438	$0.0445	**20**
30 June 2016 – Balance	**455,176,855**		**117,456**

[1] Refer to note 34(c) for share based payments information

(C) MOVEMENTS IN PARTLY PAID ORDINARY SHARE CAPITAL

Date Details	Number of shares	Issue Price	$'000
1 July 2015 – Balance	5,000,000		50
Shares issued during the year	-	-	-
30 June 2016 – Balance	**5,000,000**		**50**

On 26 February 2015, Heather Gardner and the Company entered into an employment contract pursuant to which Heather Gardner was appointed Chief Executive Officer of the Company. Under the terms of the employment contract Heather Gardner was issued with 5,000,000 shares partly paid to $0.01 per share with $0.04 per share remaining unpaid upon issue. At 30 June 2016 the unpaid amount per share had not been called by the Company.

(D) ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amount paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(E) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 23: DISCONTINUED OPERATIONS

NOMAD MODULAR BUILDING – MODULAR BUSINESS

(A) DESCRIPTION

In June 2012 the Modular operations of Nomad Modular Building Pty Ltd were discontinued. Close out of administrative contractual requirements was finalised during the 2016 financial year.

Financial information relating to the discontinued operation for the period is set out below.

(B) FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	2016 $'000	2015 $'000
Results of discontinued operation		
Revenue	**277**	-
Expenses	**(162)**	826
Profit/(loss) before income tax expense	**115**	(826)
Income tax benefit/(expense)	**-**	-
Net (loss) after income tax of discontinued operation	**115**	(826)
(Loss) on sale of assets	**-**	-
Income tax on gain on closure of discontinued operation	**-**	-
(Loss) from discontinued operation	**115**	(826)
Cash flows from (used in) discontinued operations		
Net cash (used in) / from operating activities	**30**	(455)
Net cash from investing activities	**(30)**	411
Net cash (used in) financing activities	**-**	-
Net increase/(decrease) in cash generated by the division	**-**	(44)

The carrying amounts of assets and liabilities as at 30 June 2016 were:

	2016 $'000	2015 $'000
ASSETS		
Cash	**-**	-
Receivables	**-**	4
Inventories	**-**	247
Total assets	**-**	251
LIABILITIES		
Payables	**4**	138
Loans from Related Parties	**706**	606
Provisions	**-**	333
Total Liabilities	**710**	1,077
Net (liabilities)/assets	**(710)**	(826)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 23: DISCONTINUED OPERATIONS CONTINUED

RAPLEY WILKINSON

(A) DESCRIPTION

In June 2013 the operations of Rapley Wilkinson Pty Ltd were discontinued. Close out of administrative contractual requirements was finalised during the 2016 financial year.

Financial information relating to the discontinued operation for the period is set out below.

(B) FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	2016 $'000	2015 $'000
Results of discontinued operation		
Revenue and other income	**31**	163
Expenses[1]	**(1,059)**	(460)
Profit/(loss) before income tax expense	**(1,028)**	(297)
Income tax benefit/(expense)	**-**	-
Net profit/(loss) after income tax of discontinued operation	**(1,028)**	(297)
(Loss) on sale of assets	**(124)**	-
Income tax on gain on closure of discontinued operation	**-**	-
(Loss) from discontinued operation	**(1,152)**	(297)
Cash flows from (used in) discontinued operations		
Net cash (used in) / from operating activities	**(286)**	(79)
Net cash from / (used in) investing activities	**286**	73
Net cash (used in) financing activities	**-**	-
Net increase/(decrease) in cash generated by the division	**-**	(6)

[1] In 2016 Rapley surplus cash of $1,014,000 held as security for bank guarantees in BCQ was transferred to BCQ for nil consideration

The carrying amounts of assets and liabilities as at 30 June 2016 were:

	2016 $'000	2015 $'000
ASSETS		
Cash	**-**	-
Receivables	**36**	2
Property, plant & equipment	**-**	1,400
Total assets	**36**	1,402
LIABILITIES		
Payables	**6**	9
Loans from Related Parties	**213**	108
Provisions	**-**	316
Total Liabilities	**219**	433
Net Assets	**(183)**	969

NOMAD EASTERN STATES

(A) DESCRIPTION

In December 2013 the operations of Nomad Eastern States were discontinued. In December 2015 this business was sold and a gain of $902,000 was recognised on sale. This gain is included within loss from discontinued operations in the Statement of Profit and Loss and other Comprehensive Income.

Financial information relating to the discontinued operation for the period is set out below.

(B) FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

	2016 $'000	2015 $'000
Results of discontinued operation		
Revenue and other income	**-**	16
Expenses	**(167)**	(898)
Profit/(loss) before income tax expense	**(167)**	(882)
Income tax benefit/(expense)	**-**	-
Net profit/(loss) after income tax of discontinued operation	**(167)**	(882)
(Loss) on sale of assets	**-**	-
Income tax on gain on closure of discontinued operation	**-**	-
(Loss) from discontinued operation	**(167)**	(882)

	2016 $'000	2015 $'000
Cash flows from (used in) discontinued operations		
Net cash (used in) operating activities	**(304)**	(515)
Net cash from investing activities	**304**	513
Net (decrease) in cash generated by the division	**-**	(2)

The carrying amounts of assets and liabilities as at 30 June 2016 were:

	2016 $'000	2015 $'000
ASSETS		
Cash	**-**	-
Receivables	**-**	4
Inventories	**-**	-
Property, plant & equipment	**-**	325
Total assets		329
LIABILITIES		
Payables	**-**	1
Loans from Related Parties	**-**	540
Provisions	**-**	2,139
Total Liabilities	**-**	2,680
Net Liabilities	**-**	(2,351)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 23: DISCONTINUED OPERATIONS CONTINUED

NOMAD GROUP

(A) DESCRIPTION

During 2015 Nomad Group Pty Ltd was established to focus on in-situ and modular construction in Far North Queensland (FNQ) and the Torres Strait. Due to poor operational performance and a sharp reduction in suitable tendering opportunities the Board determined to discontinue the activities of Nomad Group during the financial year ended 30 June 2016. All operational activities of this business have ceased.

(B) FINANCIAL INFORMATION RELATING TO THE DISCONTINUED OPERATION FOR THE PERIOD IS SET OUT BELOW.

	2016 $'000	2015 $'000
Results of discontinued operation		
Revenue and other income	**515**	-
Expenses	**(1,228)**	-
Profit/(loss) before income tax expense	**(713)**	-
Income tax benefit/(expense)	**-**	-
Net profit/(loss) after income tax of discontinued operation	**(713)**	-
(Loss) on sale of assets	**-**	-
Income tax on gain on closure of discontinued operation	**-**	-
(Loss) from discontinued operation	**(713)**	-

	2016 $'000	2015 $'000
Cash flows from (used in) discontinued operations		
Net cash (used in) operating activities	**(716)**	-
Net cash from investing activities	**716**	-
Net (decrease) in cash generated by the division	**-**	-

The carrying amounts of assets and liabilities as at 30 June 2016 were:

	2016 $'000	2015 $'000
ASSETS		
Cash	**-**	-
Receivables	**3**	-
Total assets	**3**	-
LIABILITIES		
Loans from Related Parties	**(716)**	-
Total Liabilities	**(716)**	-
Net Liabilities	**(713)**	**-**

	2016 $'000	2015 $'000
Reconciliation to Consolidated Statement of Profit and Loss		
(Loss) from discontinued operations	**(1,917)**	(2,004)
Gain on sale of Nomad Eastern States	**902**	-
Net (loss) from discontinued operations	**(1,015)**	(2,004)

NOTE 24: DIVIDENDS

No dividends have been declared during or since the end of financial year.

FRANKED DIVIDENDS

The franked portions of future dividend payments will be made out of existing franking credits as applicable at the time of payment.

	Consolidated	
	2016 $'000	2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 – 30%) are:	**17,829**	17,829

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

There is no change in the franking account balance as no dividends have been declared by the directors since year end and no income tax is payable in respect of the year ended 30 June 2016.

NOTE 25: REMUNERATION OF AUDITORS

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

	Consolidated	
	2016 $	2015 $
Audit services		
Audit and review of financial report		
- parent entity auditors PKF Hacketts Audit	**129,318**	14,000
- parent entity auditors BDO Audit (WA) Pty Ltd	**-**	79,818
Non-audit services		
Tax services (from a BDO Audit (WA) Pty Ltd related entity)	**-**	21,350
Tax services from PKF Hacketts Pty Ltd	**18,725**	7,500
Other non-assurance services from PKF Hacketts Pty Ltd	**-**	59,725
Total remuneration for audit and other services	**148,043**	182,393

NOTE 26: CONTINGENCIES

CONTINGENT LIABILITIES

The Group is party to contracts which in the ordinary course of business may be the subject of claims by customers or suppliers. The group where appropriate makes provision for the settlement of these claims in the financial statements. Where the group does not believe a liability will exist it has not made a provision. At 30 June 2016 there were no material claims against the Group and accordingly no provision for settlement of claims has been made.

Contingent instruments

The Group had outstanding guarantees to the value of $4,349,227 (2015: $5,145,717) all of which are expected to be recovered without claim. Bank guarantees are provided in certain contracts as a percentage of the contract sum. At 30 June 2016, the Groups bankers held cash of $3,218,227 as security against bank guarantees issued. Generally, two bank guarantees, each ranging from 2.5% to 5.0% of the contract sum are provided to:

1. guarantee the performance of contractual terms until practical completion, and
2. as security for defects liability being the 12 month period from the date of practical completion.

There is no liability that should be recognised in relation to these guarantees.

Other than the items above the Group had no contingent liabilities at 30 June 2016 (2015: nil).

NOTE 27: COMMITMENTS

(A) OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

	Consolidated	
	2016 $'000	2015 $'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**1,439**	3,021
Later than one year but not later than five years	**5,853**	7,196
Greater than five years	**7,155**	-
	14,447	10,217
Representing:		
Cancellable operating leases	**-**	-
Non-cancellable operating leases	**14,447**	10,217
	14,447	10,217

The Group leases various offices and warehouses under non-cancellable operating leases usually expiring within two to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

(B) OPERATING SUB-LEASE PAYMENTS

	Consolidated	
	2016 $'000	2015 $'000
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:		
Within one year	**-**	884
Later than one year but not later than five years	**-**	2,316
	-	3,200

(C) FINANCE LEASE COMMITMENTS

	Consolidated	
	2016 $'000	2015 $'000
Future minimum lease payments under non-cancellable finance leases:		
Within one year	**92**	61
Later than one year but not later than five years	**76**	101
	168	162

The Group leases items of plant and equipment under non-cancellable finance leases expiring within two to five years.

NOTE 28: RELATED PARTY TRANSACTIONS

(A) SUBSIDIARIES

The wholly-owned Group consists of Onterran Limited and its wholly owned controlled entities as detailed in note 29.

(B) KEY MANAGEMENT PERSONNEL

No provisions for bad debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(i) Key management personnel compensation

	Consolidated	
	2016 $	2015 $
Short-term employee benefits (salary, bonus payments and allowances)	**1,039,721**	1,058,438
Post-employment benefits	**95,833**	75,070
Share based payments	**174,845**	342,155
	1,310,399	1,475,663

Detailed remuneration disclosures are provided in the Remuneration Report on pages 12 to 21.

(ii) Loans to key management personnel

There were no loans made to directors of Onterran Limited or any other key management personnel of the Group, including their personally related parties, during the years ended 30 June 2016 or 30 June 2015.

(iii) Other Transactions with key management personnel

As disclosed in note 19, a receivable due to McGrath Modular from a developer client was financed by a consortium of financiers on identical terms to those in place for the developer. McGrath's contract with the developer provides for interest on overdue amounts at a rate of 20% per annum and the receivable is secured by registered specific property securities and personal guarantees granted to McGrath by the developer. Annapurna Investment Holdings Pty Ltd, an entity related to Heather Gardner advanced $500,000 to McGrath Modular as part of the financing consortium. This related party borrowing is secured by the same securities and guarantees granted to McGrath, interest is accruing at an identical 20% per annum rate and the facility matures in April 2017. Interest of $23,831 was paid to Annapurna Investment Holdings Pty Ltd for the period to 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 28: RELATED PARTY TRANSACTIONS CONTINUED

(iii) Other Transactions with key management personnel (continued)

Prior to the acquisition of BCQ by the Company, Wayne Bloomer had provided certain personal guarantees in respect of the BCQ business. It was a condition of the sale and purchase agreement that the Company would use its best endeavours to procure the release of Wayne Bloomer from those guarantees. In respect of personal guarantees for banking facilities this release occurred during May 2015. In respect of personal guarantees to trade suppliers the process of releasing Wayne Bloomer from these guarantees is not yet finalised.

Rent charges totalling $98,320 was paid to entities controlled by Wayne Bloomer for the use of office premises during the year ended 30 June 2016. The related rental contracts are on an arm's length basis.

As part of the acquisition of BCQ, the Group has agreed to pay the vendor, Kurrewa Holdings Pty Ltd (ATF BCQ Family Trust), an entity related to Wayne Bloomer additional consideration of up to 46,153,846 ordinary shares at a deemed issue price of $0.065 cents per share conditional upon BCQ between 1 March 2015 and 30 June 2017 having achieved an aggregate EBIT of between $5.0m and $8.0m – refer note 17 for additional detail.

22 Capital Pty Ltd, an entity related to Lachlan McIntosh provided professional services to the Company in respect of securing funding for the business and advising on potential development projects. 22 Capital Pty Ltd was engaged on an arms-length basis and was paid $111,500 for these services.

NOTE 29: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Class of shares	Entity holding 2016 %	Entity holding 2016 %
Bloomer Constructions (Qld) Pty Ltd	Ordinary	**100**	100
Pivot Way Pty Ltd	Ordinary	**100**	100
Nomad Properties Pty Ltd (formerly Rapley Wilkinson No 2 Pty Ltd)	Ordinary	**100**	100
Nomad Group Pty Ltd	Ordinary	**100**	100
Nomad Eastern States Pty Ltd (formerly Halley Homes)	Ordinary	-	100
Nomad Modular Building Pty Ltd	Ordinary	**100**	100
Rapley Wilkinson Pty Ltd (formerly Sabre Nominees Pty Ltd)	Ordinary	**100**	100
Rapley Wilkinson Property Pty Ltd	Ordinary	-	100
RTS Group Pty Ltd (formerly Nomad Transportables Pty Ltd)	Ordinary	-	100
Lifestyle Living Solutions Pty Ltd	Ordinary	**100**	100
BCQ Pty Ltd	Ordinary	**100**	100
Pivot Way Trust	Units	**100**	100

All entities are incorporated within Australia and directly controlled (100%) by Onterran Limited, parent entity.

In December 2015 Nomad Eastern States was sold and a gain of $887,000 was recognised on sale.

In July 2015 Rapley Wilkinson Property Pty Ltd and RTS Group Pty Ltd were de-registered under subsection 601AA(2) of the *Corporations Act 2001*.

NOTE 30: SEGMENT REPORTING

(A) DESCRIPTION OF SEGMENTS

Following a review within the business, Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business from a product perspective and has identified three reporting segments. Transportables consist of all centralised manufacturing operations. The Construction division consists of all operations where the majority of the work is in situ construction. Rental consists of assets where the primary income source is rental yield. The Group operates in one geographical area, being Australia.

(B) SEGMENT INFORMATION PROVIDED TO THE BOARD

Segment information provided to the Board for the year ended 30 June 2016 is as follows:

2016	Transportable $'000	Construction $'000	Rental $'000	Total $'000
Segment Revenue				
Total segment revenue	29,624	235,334	394	265,352
Inter-segment revenue	-	-	-	-
Segment revenue from external customers	29,624	235,334	394	265,352
EBITDA	288	1,699	(936)	1,051
Interest expense	(191)	(193)	(3)	(387)
Depreciation and amortisation	(296)	(138)	(87)	(521)
Segment Assets and Liabilities				
Segment assets	18,538	53,253	(62)	71,729
Segment liabilities	(14,987)	(43,406)	(208)	(58,601)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,044	518	-	1,562

Segment information provided to the Board for the year ended 30 June 2015 is as follows:

2015	Transportable $'000	Construction $'000	Rental $'000	Total $'000
Segment Revenue				
Total segment revenue	21,828	57,961	410	80,199
Inter-segment revenue	-	-	(2)	(2)
Segment revenue from external customers	21,828	57,961	408	80,197
EBITDA	(327)	1,635	(49)	1,259
Interest expense	-	(5)	(2)	(7)
Depreciation and amortisation	(419)	(797)	(138)	(1,354)
Segment Assets and Liabilities				
Segment assets (re-stated)	11,613	45,019	10,456	67,088
Segment liabilities (re-stated)	(2,862)	(37,637)	(271)	(40,770)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	59	1,037	11	1,107
Impairment losses	15,116	974	5,047	21,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 30: SEGMENT REPORTING CONTINUED

(C) OTHER SEGMENT INFORMATION

(i) Segment revenue

Inter-segment revenue comprises sales between segments which are on arm's length terms. Segment revenues from external customers are measured in accordance with the accounting policy described in note 1(d).

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
Total segment revenue	**265,352**	80,197
Interest revenue	**319**	75
Total revenue from continuing operations (note 5)	**265,671**	80,272

(ii) EBITDA

The Board monitors segment performance based on EBITDA. This measure excludes non-recurring expenditure such as impairments and share-based payments as well interest expense and unrealised gains/losses on financial instruments, which are considered part of the treasury function.

EBITDA reconciles to operating profit before income tax as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
Total segment EBITDA	**1,051**	1,233
Revenue not attributable to operating segments	**-**	(36)
Interest Revenue	**28**	76
Finance costs	**(431)**	(100)
Depreciation and amortisation	**(987)**	(1,368)
Impairment	**-**	(21,137)
Consultants and legal expenses	**(187)**	(173)
Employee benefits expenses	**(31)**	(834)
Other Expenses	**(335)**	(171)
Share-based payments	**152**	(871)
Operating (Loss) / Profit before income tax from continuing operations	**(740)**	(23,381)

(C) OTHER SEGMENT INFORMATION (CONTINUED)

(iii) Segment assets

Segment asset amounts provided to the Board are measured in the same way that they are measured in the financial statements. Assets are allocated based on the operations of the segment and the physical location of the asset. Assets used jointly by reportable segments are allocated based on revenues earned. Financial instruments other than segment receivables and payables are part of the treasury function and not allocated to segments.

Segment assets reconcile to total assets as follows:

	Consolidated	
	2016 $'000	2015 (re-stated) $'000
Segment assets	**71,729**	67,088
Inter-segment eliminations	**(5,490)**	(13,719)
Current tax asset	-	62
Non-segment assets	**4,077**	7,949
Total assets per statement of financial position	**70,316**	61,380

(iv) Segment liabilities

Segment liability amounts provided to the Board are measured in the same way that they are measured in the financial statements. Liabilities are allocated based on the operations of the segment. Liabilities incurred jointly by reportable segments are allocated based on total capital required by individual segments. Borrowings are part of the treasury function and not allocated to segments.

Segment liabilities reconcile to total liabilities as follows:

	Consolidated	
	2016 $'000	2015 (re-stated) $'000
Segment liabilities	**58,601**	40,770
Inter-segment eliminations	**(14,223)**	(13,719)
Non-segment liabilities	**12,990**	19,474
Total liabilities per statement of financial position	**57,368**	46,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 31: EVENTS OCCURRING AFTER THE REPORTING DATE

On 12 July 2016, the Company announced an agreement to acquire, through wholly owned subsidiaries, sizeable real estate holdings in the area at South Stradbroke Island, Queensland known as Couran Cove. The significant assets to be acquired are:

1) approximately 105 existing apartments;
2) development lots with development approval for over 220 houses and lodges;
3) a number of commercial buildings; and
4) significant possible future development land

On 21 September 2016, the Company announced that the major portion of the acquisition had settled with only a small number of individual apartment settlements to be completed. The total number of apartments to be acquired is not yet final as at the date of this report. The Company plans to develop the 220 approved houses and lodges and sell the approximately 105 existing apartments, which are expected to generate revenue of over $95m in the next four years. In addition to the existing apartments and approved development land, there may be further development opportunities that will be investigated over time relating to the large leasehold parcels of land that form part of the acquisition.

On 15 August 2016 shareholders approved the issuance of redeemable convertible preference shares (RCPS), to raise up to $21.5m to fund the acquisition of the various Couran Cove assets, undertake the renovation and sale program on the 105 existing apartments, commence development of the land parcels and provide general working capital.

The RCPS rank in priority to the Company's ordinary shares in respect of the payment of dividends. Holders of the RCPS are entitled to a cumulative but non-compounding fully franked fixed dividend of 8% per annum. Dividends on the RCPS are paid semi-annually. RCPS holders do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not having voting rights.

Also on 15 August 2016 shareholders approved a resolution to consolidate every eight existing ordinary shares in the capital of the Company into one ordinary share. The consolidation was completed on 25 August 2016 and the number of ordinary shares on issue on 25 August 2016 post consolidation was 56,897,686.

During September 2016, the Group repaid in full the $3.25m short term trade finance facility from National Australia Bank (see note 19).

No other matters or circumstances have arisen since 30 June 2016 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years;
b) the results of those operations in future financial years; or
c) the Group's state of affairs in future financial years.

NOTE 32: RECONCILIATION OF (LOSS) AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2016 $'000	2015 $'000
(Loss) for the year	**(1,755)**	(25,385)
Add/(Less) items:		
Depreciation and amortisation	**782**	1,388
Impairment charge – goodwill	**-**	15,116
Impairment charge – leasehold developments	**-**	3,169
Impairment charge – investment property	**-**	1,878
Impairment charge – assets held for sale	**94**	400
Impairment charge – property, plant, equipment	**-**	118
Loss on disposal of property, plant, equipment	**239**	403
Revaluation of contingent consideration	**(2,348)**	345
Transfer of property plant and equipment to cost of goods sold (note 13)	**866**	-
Profit on disposal of discontinued subsidiary	**(903)**	-
Equity settled transactions	**-**	696
Share-based payments	**(152)**	172
Bad / Doubtful debts	**(983)**	974
Interest received	**(323)**	(76)
Release of provision for onerous contracts	**(3,515)**	-
Other movement in provisions and non-cash items	**(1,117)**	(200)
Change in operating assets and liabilities:		
(Increase) in trade debtors	**(10,890)**	(9,130)
(Increase) in inventories	**(2,226)**	(6,648)
Increase in trade creditors & other payables	**20,601**	11,691
Increase / (Decrease) in current tax asset / liability	**202**	(119)
(Increase) in provisions	**(1,507)**	(138)
Net cash used in operating activities	**(2,935)**	(5,346)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 33: EARNINGS PER SHARE

	Consolidated	
	2016 Cents	2015 Cents
(A) BASIC AND DILUTED (LOSS) PER SHARE	**(0.38)**	(8.2)
(B) BASIC AND DILUTED (LOSS) PER SHARE FROM CONTINUING OPERATIONS	**(0.16)**	(7.6)
	$'000	**$'000**
(C) RECONCILIATIONS OF (LOSS) USED IN CALCULATING EARNINGS PER SHARE		
Basic and diluted (loss) per share:		
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted (loss) per share	**(1,755)**	(25,385)
(Loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted (loss) per share from continuing operations	**(740)**	(23,381)
	Number	**Number**
(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR		
Weighted average number of shares used as the denominator in calculating basic earnings per share	**455,815,831**	308,394,850
Adjustment for calculation of diluted earnings per share for options	**-**	-
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**455,815,831**	308,394,850

NOTE 34: SHARE-BASED PAYMENTS

(A) EMPLOYEE OPTIONS

On 26 February 2015, Heather Gardner and the Company entered into an employment contract pursuant to which Heather Gardner was appointed Chief Executive Officer of the Company. Under the terms of the employment contract Heather Gardner was granted 15,000,000 options to be issued in three separate tranches of 5,000,000 at exercise prices of $0.08, $0.10 and $012 per share respectively.

Heather Gardner ceased employment as Chief Executive Officer in February 2016 and the 15,000,000 options were forfeited in accordance with the terms of the Heather Gardner options.

(B) OTHER

On 26 February 2015, Heather Gardner and the Company entered into an employment contract pursuant to which Heather Gardner was appointed Chief Executive Officer of the Company. Under the terms of the employment contract Heather Gardner was issued with 5,000,000 shares partly paid to $0.01 per share with $0.04 per share remaining unpaid upon issue. At 30 June 2016 the unpaid amount per share had not been called by the Company.

(C) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the period both as part of employee benefit expense and other expenses were as follows:

	Consolidated	
	2016 $'000	**2015 $'000**
Employees		
Employee options ((a) above)	**(45)**	45
Partly paid shares ((b) above)	**-**	50
Equity settled share based payment (note 17)	**381**	127
Reversal of equity settled share based payment (note 17)	**(508)**	-
Employee bonus	**20**	120
	(152)	342
Consulting fees	**-**	526
Total share based payments expense	**(152)**	868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 35: DEED OF CROSS GUARANTEE

Onterran Limited and Pivotway Pty Ltd (McGrath) are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entities, if they are a reporting entity, have been relieved from the requirement to prepare financial statements and directors' reports under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Onterran Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2016 of the closed group consisting of Onterran Limited and Pivotway Pty Ltd.

Consolidated Statement of Profit or Loss and Other Comprehensive Income	2016 $'000	2015 $'000
Revenue from continuing operations	**29,794**	21,888
Other income / (loss)	**(2,603)**	(355)
Raw materials, consumables and contract labour	**(24,150)**	(16,841)
Employee benefits expense	**(1,658)**	(3,582)
Depreciation and amortisation expense	**(316)**	(432)
Borrowing cost expense	**(235)**	(93)
Operating lease costs	**(1,387)**	(1,340)
Corporate and administration expenses	**(1,252)**	(2,231)
Impairment expense	**-**	(15,116)
Other expenses	**(444)**	(884)
(Loss) before income tax	**(2,251)**	(18,986)
Income tax (expense)	**-**	-
Total comprehensive (loss) for the year	**(2,251)**	(18,986)

Movement in retained earnings	2016 $'000	2015 $'000
(Accumulated losses) / Retained earnings at the beginning of the financial year	**(111,501)**	(92,621)
(Loss) / profit for the period	**(2,251)**	(18,986)
Employee share options lapsed	**172**	106
Accumulated losses at the end of the financial year	**(113,580)**	(111,501)

Consolidated Statement of Financial Position	2016 $'000	2015 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**1,411**	2,466
Cash held in trust	**838**	1,541
Trade and other receivables	**11,306**	2,115
Inventories	**5,131**	2,045
Total current assets	**18,686**	8,167
Non-current assets		
Investments	**8,111**	8,673
Property, plant and equipment	**804**	2,047
Intangible assets	**1,300**	1,300
Other receivables	**-**	2,084
Total non-current assets	**10,215**	14,105
Total assets	**28,901**	22,272
LIABILITIES		
Current liabilities		
Trade and other payables	**6,435**	2,645
Deferred income	**279**	535
Interest bearing liabilities	**6,932**	26
Provisions	**186**	1,022
Total current liabilities	**13,832**	4,105
Non-current liabilities		
Provisions	**-**	2,348
Other non-current payables	**11,143**	9,711
Total non-current liabilities	**11,143**	12,182
Total liabilities	**24,975**	16,287
Net assets	**3,926**	5,985
EQUITY		
Contributed equity	**117,506**	117,486
Reserves	**-**	172
(Accumulated losses)	**(113,580)**	(111,673)
Total equity	**3,926**	5,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONTINUED

NOTE 36: PARENT ENTITY SUMMARY

The results for Onterran Pty Ltd ('parent entity') are summarised below:

Parent entity	Note	2016 $'000	2015 $'000
Net (loss) / profit and total comprehensive (expense) / Income attributable to members of Onterran Limited		**6,080**	(12,210)
Total current assets		**1,006**	2,080
Total non-current assets		**14,480**	19,435
Total assets		**15,486**	21,515
Total current liabilities		**633**	586
Total non-current liabilities		**1,980**	13,984
Total liabilities		**2,613**	14,570
Net assets		**12,873**	6,945
Equity			
Contributed equity	22	**117,506**	117,486
Reserves		**-**	172
Accumulated losses		**(104,633)**	(110,713)
Total equity		**12,873**	6,945

	Parent entity	
Operating lease commitments	**2016 $'000**	**2015 $'000**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	**15**	70
Later than one year but not later than five years	**-**	-
	15	70
Representing:		
Non-cancellable operating leases	**15**	70
	15	70

As per note 35 Onterran Limited and Pivotway Pty Ltd (McGrath) are parties to a deed of cross guarantee under which each company guarantees the debts of the other. The total liabilities of all subsidiaries party to deeds of cross guarantee was $14,987,000 (2015: $2,870,000).

The parent entity had no other capital commitments or contingent liability at 30 June 2016 (2015: nil)

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and accompanying notes, are in accordance with the *Corporations Act 2001* and:
   (a) comply with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the 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.
3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.
4. The Group has included in the notes to the Consolidated Financial Statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

Onterran Limited and Pivotway Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 35.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Lachlan McIntosh
Executive Chairman

Brisbane
30 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTERRAN LIMITED

We have audited the accompanying financial report of Onterran Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated 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.*

OPINION

In our opinion:

(a) the financial report of Onterran 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 2016 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 in pages 08 to 17 of the Directors' Report for the year ended 30 June 2016. 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.

AUDITOR'S OPINION

In our opinion the remuneration report of Onterran Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

PKF HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 30 September 2016

SHAREHOLDER INFORMATION AND CORPORATE GOVERNANCE STATEMENT

The shareholder information set out below was applicable as at 23 September 2016 and is presented on a post 8 for 1 share consolidation basis (see ASX announcement of 26 August 2016).

A. DISTRIBUTION OF ORDINARY EQUITY SECURITIES

Range	Securities	%	No. of holders
100,001 and Over	43,641,778	75.87	79
50,001 to 100,000	3,770,410	6.55	51
10,001 to 50,000	6,225,194	10.82	290
5,001 to 10,000	1,650,581	2.87	229
1,001 to 5,000	1,906,013	3.31	766
1 to 1,000	328,710	0.57	946
Total	**57,522,686**	**100.00**	**2,361**

B. ORDINARY EQUITY SECURITY HOLDERS

Rank	Name	23 Sep 2016	%IC
1	KURREWA HOLDINGS PTY LTD	11,000,000	19.12
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,309,955	9.23
3	NORFOLK ENCHANTS PTY LTD	1,625,000	2.82
4	ANNA PURNA INVESTMENT HOLDINGS PTY LTD	1,562,500	2.72
5	MR ROBERT CONSTABLE & MRS JANET MARIE CONSTABLE	1,375,000	2.39
6	REDAN STREET PTY LTD	1,300,625	2.26
7	BY RINDY PTY LTD	1,028,125	1.79
8	MR KAI LIU	943,750	1.64
9	MR GERALD FRANCIS PAULEY & MR MICHAEL JAMES PAULEY	942,276	1.64
10	MR TIMOTHY LINDSAY MCCAUGHEY	825,125	1.43
11	MR MARK FORSTMANN & MS JOANNE LARRATT	812,500	1.41
12	DAHO PTY LTD	750,000	1.30
13	FARMWEST PTY LTD	750,000	1.30
14	BFA SUPER PTY LTD	678,240	1.18
15	REDAN STREET PTY LTD	625,000	1.09
16	CROSSWIND TRUSTEE COMPANY LIMITED	625,000	1.09
17	WAVET FUND NO 2 PTY LTD	622,547	1.08
18	GERICHTER SUPER INVESTMENTS PTY LTD	597,500	1.04
19	ATLANTIC INVESTMENT (AUST) PTY LTD	536,938	0.93
20	DHAULAGURI PTY LTD	530,000	0.92
	Total	**40,888,964**	**71.08**
	Balance Of Register	**16,633,722**	**28.92**
	Grand Total	**57,522,686**	**100.00**

C. SUBSTANTIAL SHAREHOLDERS

Rank	Name	23 Sep 2016	%IC
1	KURREWA HOLDINGS PTY LTD	11,000,000	19.12
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,309,955	9.23

D. VOTING RIGHTS

The Company has ordinary shares on issue. At a general meeting of the Company, every member present in person, or by proxy, attorney or representative, shall have one vote on a show of hands and, on a poll, one vote for each fully paid share held.

E. CORPORATE GOVERNANCE STATEMENT

A copy of the Corporate Governance Statement can be found on our website. Visit www.onterran.com

CORPORATE INFORMATION

ONTERRAN LIMITED
ABN 52 117 371 418

DIRECTORS

Mr Lachlan McIntosh
(Executive Chairman)

Ms Heather Gardner
(Non-executive Director)

Mr Wayne Bloomer
(Executive Director)

CHIEF FINANCIAL OFFICER

Mr Pat McMahon

COMPANY SECRETARY

Mr Oliver Schweizer

PRINCIPLE REGISTERED OFFICE IN AUSTRALIA

Suite 1A, 201 Leichhardt Street, Spring Hill, QLD 4000

WEBSITE

www.onterran.com

SHARE REGISTRY SERVICES

Link Market Services Limited

Level 15, 324 Queen Street, Brisbane, QLD 4000

Telephone: (07) 3320 2211
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

AUDITORS

PKF Hacketts Audit

SOLICITORS

Mills Oakley

PRINCIPLE BANKERS

National Australia Bank

AUSTRALIAN SECURITIES EXCHANGE LISTING

Onterran Limited's shares are listed on the Australian Securities Exchange.

ASX Code: **OTR**

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