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ASX Announcements

28 February 2014

ASX: DSB

Board of Directors

Gordon Galt – Chairman

Stephen Bizzaca – Managing
Director – CEO

Glyn Dawkins – Non Executive
Director

Geoff Garside - Non Executive
Director

Company Secretary

Tony McFadden

Principal Contact

Stephen Bizzaca – Managing
Director – CEO

Phone: 02 4629 0300

Tony McFadden – Company
Secretary - CFO

Phone: 02 4629 0300

Registered office

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To : Australian Securities Exchange

28 February 2014

Australian Stock Exchange
Company Announcements

HALF YEAR RESULTS

Please find attached the following:

1. Appendix 4D - Half Year Report
2. Half Year Report incorporating the Directors' Report and the consolidated financial report.

Yours Faithfully

Tony McFadden

Chief Financial Officer and Company Secretary

Appendix 4D

1. This statement presents results for Delta SBD Limited for the half year ended 31 December 2013 and, where applicable, comparative results for the relevant previous period.

2. Financial Results for announcement to the market:**Statutory Profits**

The Group's net loss after tax for the six months ended 31 December 2013 was \$30,663,000 (31 December 2012 net profit after tax: \$5,232,000).

<i>In thousands of AUD</i>	Half Year 31 Dec 2013	Half Year 31 Dec 2012	Change	
			Amount	%
Revenue from ordinary activities	35,351	73,803	-38,452	-52.10
(Loss)/Profit from ordinary activities after tax attributable to members	(30,663)	5,232	-35,895	-686.07
Net (Loss)/Profit for the period attributable to members	(30,663)	5,232	-35,895	-686.07

Adjusted Underlying Profit (not subject to review procedures)

For the six months ended 31 December 2013 Delta SBD allowed for adjustments to underlying profits, including non-cash goodwill impairment charge of \$29.2 million, loss on disposal of sale of assets of \$0.335 million and retrenchment costs of \$44,000 .

There were no adjustments made to statutory profit for the six months ended 31 December 2012.

<i>In thousands of AUD</i>	Half Year 31 Dec 2013	Half Year 31 Dec 2012	Change	
			Amount	%
Revenue from ordinary activities	35,351	73,803	-38,452	-52.10
Adjusted underlying (Loss)/profit from ordinary activities after tax attributable to members	(1,037)	5,232	-6,269	-119.82
Adjusted underlying net (loss)/profit for the period attributable to members	(1,037)	5,232	-6,269	-119.82

3. Review of Results

- Revenue of \$35.4 million and underlying EBITDA of \$1.0 million.
- Underlying net loss of \$1.0 million, down 119.8% compared with the previous corresponding period.
- A non-recurring, non-cash Goodwill impairment charge of \$29.2 million. No goodwill will remain on the balance sheet subsequent to this charge.
- Net assets of \$28.4 million. Net debt is \$14.4 million (\$15.3 million interest bearing liabilities less \$0.9 million cash) versus \$17.5 million (\$25.1 million interest bearing liabilities less \$7.6 million cash and cash equivalents includes security deposit) at 30 June 2013.
- Cash at bank at 31 December 2013 \$0.9 million.
- Underlying EBITDA margin contracted to 2.9%, compared to 14.6% for the corresponding prior period.

4. Net Tangible Assets (NTA) per security:

	Half Year 31 Dec 2013	31 Dec 2012
NTA per security	62c/share	65c/share

5. All other information can be obtained from the attached interim financial report, accompanying notes and Directors' report.

6. Dividends

A dividend of \$837,338 was paid during the six months ended 31 December 2013 (December 2012: \$1,120,506). This dividend was paid in September 2013 at a rate of 1.8 cents per share fully franked and was the final dividend as a result of operations for the year ended 30 June 2013. Total dividends paid for FY 2013 were 3.6 cents per share. A dividend reinvestment plan is in place with 66% of total dividend payable in September 2013 being \$556,000 participated in the DRP.

No dividend will be declared for the six months to December 2013.

7. Independent auditors review report – Emphasis of matter

The independent auditors review report for the half year period ended 31 December 2013 was issued without modification however it contained an emphasis of matter paragraph in relation to a material uncertainty regarding the Group's ability to continue as a going concern. A copy of the Audit review report is attached.



Independent auditor's review report to the members of Delta SBD Limited

We have reviewed the accompanying interim financial report of Delta SBD Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the half year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group, comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Delta SBD Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Delta SBD Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern.

Without modification to the opinion expressed above, we draw attention to Note 2(b) to the interim financial report. As a result of the matters described in Note 2(b) there is a material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

KPMG

Richard Drinnan
Partner

Wollongong

28 February 2014



Delta SBD Limited
and its controlled entities

ABN 18 127 894 893

31 December 2013

Interim Financial Report

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Directors' Report

The Directors present their report, together with the consolidated interim financial report of Delta SBD Limited ("the Company") for the six months ended 31 December 2013, and the review report thereon. The consolidated Delta SBD Group ("the Group") includes:

- Delta SBD Limited
- Delta Mining Pty Ltd
- SBD Services Pty Ltd
- Delta Coal Mining Pty Ltd

Directors

The Directors of the Company at any time during or since the end of the interim period are:

Name	Position	Date of appointment
Non-executive Directors		
Gordon Thomas Galt	Chairman Non-executive Director	8 October 2007
Glyn Dawkins	Non-executive Director	8 October 2007
Geoff Garside	Non-executive Director	5 May 2011
Executive Director		
Stephen John Bizzaca	Managing Director and Chief Executive Officer	8 October 2007
Company secretary		
Anthony McFadden	Chief Financial Officer and Company Secretary	28 May 2010

Review of Operations

Objective

Delta SBD is one of Australia's largest underground coal mining contractors servicing Australia's underground coal producers. The Group is geographically diverse and operates across NSW at the Southern, Western, Hunter Valley and Narrabri coalfields and the Bowen Basin in Queensland.

The Group's objective is to provide value-added services to clients by forging profitable long-term partnerships. Delta SBD provides each client with competent work teams, "fit for purpose" equipment and excellent site management which is backed by a supportive corporate management team. The Group uses safe and efficient work methods enabling on-time completion of works and services to client requirements.

Principal activities

The principal activity of the Group during the period was the provision of contract mine services and products for the underground coal industry within Australia, embodying the following:

- Total mine operation
- Longwall relocations
- Roadway development
- Plant and Equipment rental
- Mine services including:
 - Longwall and development support
 - Secondary support
 - Conveyor installation
 - Dyke excavation
 - Underground civil works
 - Supplementary labour
- Products including:
 - Longwall equipment recover mesh (Deltagrid)
 - Injection resins for strata consolidation & cavity fill

Other than the transition of the Berrima mine to care and maintenance at the clients request in October 2013, there were no other significant changes in the nature of the activities of the Group during the period.

Operational Review

Major new services undertaken/commenced in the first half include:

- Peabody Energy – Wambo mine (NSW) completed conveyor installation and salvage and in December 2013, commenced mobilisation for a longwall relocation.
- Whitehaven's Narrabri mine (NSW) – Completed longwall relocation (commenced in FY13) and in December 2013, commenced mobilisation for an additional longwall relocation (includes equipment).
- BHP Billiton's Appin mine (NSW) – Completed conveyor installation and conveyor civils, commenced drill and blast excavation for overcasts and installation of a ventilation booster fan.
- BHP Billiton's Dendrobium and Westcliff mines (NSW) – Longwall relocation equipment hire.
- BMA's Broadmeadow mine (QLD) – Mining equipment hire.

Ongoing works consisted of:

- Boral's Berrima mine (NSW) – Whole of mine operations until October 2013 then transition to care and maintenance.
- BHP Billiton's Appin mine (NSW) – Roadwork development (two units), secondary support, dyke drill and blast excavation and other mine services activities.
- Peabody's Metropolitan mine (NSW) – Secondary support and other mine services activities continued.

Recent new contract awards, with services commencing in first quarter of 2014, include:

- The civil works for the Appin Area 9 project (BHP Billiton)
- Recurring longwall relocation project for Blakefield (Glencore)

Operational Review (continued)

- New, first time longwall relocation projects for Austar (Yancoal), Ulan West (Glencore) (includes equipment) and Tahmoor (Glencore)
- Longwall equipment for Broadmeadow (BMA)
- Option to assist in longwall relocations for the Peabody group of mines in 2014.

The contract for Appin roadway development was also extended to 30 December 2014.

Debt reduction initiatives

As announced at the Company's AGM in November 2013, management embarked on a debt reduction program which successfully reduced interest bearing liabilities from \$25.1m in June 2013 to \$15.3m at December 2013, an overall decrease of 40%.

Initiatives undertaken as part of this program included:

Date	Initiative	Debt Reduction
September 2013	Refinancing of equipment, resulting in a reduced principal amount by application of associated security deposit	\$1.1m
September 2013	Dividend Reinvestment Plan process used to reduce unsecured shareholder loans	\$0.5m
October 2013	Sale of continuous miner	\$4.8m
July To Dec 2013	Continuation of monthly asset repayments in accordance with agreements	\$3.6m
Total	A 40% reduction in debt July to December 2013	\$10m

Safety Performance

Maintaining the health and safety of the Delta SBD workforce and of our clients remains a core value of the group.

Overall the company is pleased to advise an improvement in the Total Recordable Injury Frequency Rate from 18.1 to 12.9. Leading safety measures remained on target over the reporting period.

Outlook

The company's expectations for the January to June 2014 period are set against a framework of continuing general weakness in the coal industry in Australia.

Notwithstanding this the company forecasts improved performance for the second half of the 2014 fiscal year as the company will continue to provide value added services to Illawarra Coal as well as undertake a number of longwall relocation projects including recurring work at Wambo, Narrabri (including equipment), Blakefield and Broadmeadow (equipment only), new work at Austar, Ulan West (including equipment), Tahmoor and Appin's Area 9 major civil work over the next 12 months.

Financial results for announcement to the market:**Statutory profits**

The Group's net loss after tax for the six months ended 31 December 2013 was \$30,663,000 (31 December 2012 net profit after tax: \$5,232,000).

<i>In thousands of AUD</i>	Half Year 31 Dec 2013	Half Year 31 Dec 2012	Change	
			Amount	%
Revenue from ordinary activities	35,351	73,803	-38,452	-52.10
(Loss)/Profit from ordinary activities after tax attributable to members	(30,663)	5,232	-35,895	-686.07
Net (Loss)/Profit for the period attributable to members	(30,663)	5,232	-35,895	-686.07

Adjusted Underlying Profit (not subject to review procedures)

For the six months ended 31 December 2013 Delta SBD allowed for adjustments to underlying profits, including non-cash impairment charge of \$29.2 million, loss on disposal of sale of assets of \$0.335 million and retrenchment costs of \$44,000.

Delta SBD has decided to record a non-cash impairment charge against goodwill of \$29.2 million. The goodwill arose from the 2007 merger between Delta Mining Pty Ltd and SBD Services Pty Ltd which formed Delta SBD prior to its ASX listing in December 2010. No goodwill will remain on the company's balance sheet after this impairment charge is taken.

For the six months ended 31 December 2012 there were no underlying adjustments to statutory profit.

<i>In thousands of AUD</i>	Half Year 31 Dec 2013	Half Year 31 Dec 2012	Change	
			Amount	%
Revenue from ordinary activities	35,351	73,803	-38,452	-52.10
Adjusted underlying (Loss)/profit from ordinary activities after tax attributable to members	(1,037)	5,232	-6,269	-119.82
Adjusted underlying net (loss)/profit for the period attributable to members	(1,037)	5,232	-6,269	-119.82

Events subsequent to reporting date

Subsequent to reporting date no item, transaction or event of a material or unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity.

To address the Group's ongoing cashflow requirements the Group's major shareholders have given a commitment to provide an invoice finance facility with a limit of \$3.5 million at market terms and conditions. This facility is subject to board approval and will only be established in the event that negotiations surrounding the following facility cease.

As at the date of issue of this financial report the Group has accepted indicative terms and conditions from an external financier for an invoice finance facility for \$4.65 million. The finalisation of the facility and execution of the agreement on the indicative terms and conditions offered is subject to the external financier completing due diligence procedures.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' Report for the six months ended 31 December 2013.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100, and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Gordon Galt
Chairman

Dated at Campbelltown this 28th day of February 2014



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

To: the directors of Delta SBD Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

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

KPMG

Richard Drinnan
Partner

Wollongong

28 February 2014

Condensed consolidated statement of financial position*As at 31 December 2013**In thousands of AUD*

	Note	Consolidated 31 Dec 2013	Consolidated 30 June 2013
Assets			
Cash and cash equivalents	5	905	5,934
Trade and other receivables		12,676	25,114
Inventories		889	1,534
Other current assets		434	221
Current tax assets		106	716
Total current assets		15,010	33,519
Deferred tax assets		2,865	2,278
Trade and other receivables		-	402
Other non current assets		39	1,684
Property, plant and equipment	6	37,614	44,676
Intangible assets	7	138	29,412
Total non-current assets		40,656	78,452
Total Assets		55,666	111,971
Liabilities			
Trade and other payables		3,883	14,872
Loans and borrowings		7,616	9,075
Employee benefits		3,876	6,663
Current tax payable		-	1,905
Total current liabilities		15,375	32,515
Loans and borrowings		7,664	16,026
Employee benefits		173	261
Deferred tax liabilities		4,067	3,838
Total non-current liabilities		11,904	20,125
Total liabilities		27,279	52,640
Net assets		28,387	59,331
Equity			
Share capital	8	38,592	38,036
Reserves		946	946
Accumulated losses July to Dec 2013		(30,663)	-
Accumulated profits FY2013		6,234	7,071
Retained earnings (pre June 2013)		13,278	13,278
Total equity attributable to equity holders of the Company		28,387	59,331
Total equity		28,387	59,331

The condensed notes on pages 14 to 19 are an integral part of the condensed consolidated interim financial report.

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2013

In thousands of AUD

	Note	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Continuing operations			
Revenue		35,351	73,803
Employee benefits expense		27,738	43,885
Materials and consumables		4,578	14,748
Other expenses		2,055	4,331
Loss on sale of assets	6	479	-
Depreciation		1,860	2,161
Amortisation		28	69
Impairment expense	7	29,247	-
Results from operating activities		(30,634)	8,609
Finance income		27	104
Finance costs		(803)	(1,207)
Net finance costs		(776)	(1,103)
(Loss)/Profit before income tax		(31,410)	7,506
Income tax (benefit)/expense	10	(747)	2,274
(Loss)/Profit from continuing operations		(30,663)	5,232
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period		(30,663)	5,232
(Loss)/Profit attributable to:			
Owners of the company		(30,663)	5,232
Non-controlling interests		-	-
(Loss)/Profit for the period		(30,663)	5,232
Total comprehensive income attributable to:			
Owners of the company		(30,663)	5,232
Non-controlling interests		-	-
Total comprehensive income for the period		(30,663)	5,232
Earnings per share			
Basic Earnings per share (cents)		-65.50c	11.67c
Diluted Earnings per share (cents)		-61.00c	10.84c

The condensed notes on pages 14 to 19 are an integral part of the condensed consolidated interim financial report.

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2013

In thousands of AUD

	Share capital	Reserve	Retained earnings pre June 2013	Accumulated profits FY 2013	Accumulated losses July to Dec 2013	Total
Balance at 1 July 2013	38,036	946	13,278	7,071	-	59,331
Total comprehensive income for the period						
(Loss) for the period	-	-	-	-	(30,663)	(30,663)
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(30,663)	(30,663)
Transactions with owners, recorded directly in equity						
<i>Contributions by and distributions to owners</i>						
Dividend to equity holders (September 2013)	-	-	-	(837)	-	(837)
Shares issued – dividend reinvestment plan	556	-	-	-	-	556
IPO costs	-	-	-	-	-	-
Total transactions with owners	556	-	-	(837)	-	(281)
Balance at 31 December 2013	38,592	946	13,278	6,234	(30,663)	28,387

The condensed notes on pages 14 to 19 are an integral part of the condensed consolidated interim financial report.

Condensed consolidated statement of changes in equity For the six months ended 31 December 2013 (continued)

In thousands of AUD

	Share capital	Reserve	Retained earnings	Total
Balance at 1 July 2012	37,101	946	15,206	53,253
Total comprehensive income for the period				
Profit for the period	-	-	5,232	5,232
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	5,232	5,232
Transactions with owners, recorded directly in equity				
<i>Contributions by and distributions to owners</i>				
Dividend to equity holders (September 2012)	-	-	(1,121)	(1,121)
Share-based payment transactions	-	-	-	-
IPO costs	(87)	-	-	(87)
Total transactions with owners	(87)	-	(1,121)	(1,208)
Balance at 31 December 2012	37,014	946	19,317	57,277

The condensed notes on pages 14 to 19 are an integral part of the condensed consolidated interim financial report.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2013

In thousands of AUD

	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Cash flows from operating activities		
Cash receipts from customers	51,547	75,577
Cash paid to suppliers and employees	(51,770)	(70,661)
Cash generated from operations	(223)	4,916
Interest paid	(803)	(1,207)
Income taxes paid	(906)	(781)
Net cash from operating activities	(1,932)	2,928
Cash flows from investing activities		
Interest received	27	104
Proceeds from sale of assets	5,081	-
Acquisition of property, plant and equipment	(358)	(7,940)
Acquisition of intangibles	(1)	(74)
Net cash from investing activities	4,749	(7,910)
Cash flows from financing activities		
Funding received for acquisition of PP&E	-	8,083
Repayments from employee share plan loans	611	433
Payment of IPO costs	-	(87)
Payment of hire purchase loan liabilities	(9,448)	(4,115)
Repayment of loans from shareholders	(522)	-
Return/(payment) of security deposit	1,645	(38)
Cash payment of dividends to ordinary shareholders	(281)	(1,121)
Funding received for insurance premiums	374	451
Payment of Finance Liabilities	(225)	(113)
Net cash from financing activities	(7,846)	3,493
Net (decrease) in cash and cash equivalents	(5,029)	(1,489)
Cash and cash equivalents at the beginning of the period	5,934	5,097
Cash and cash equivalents at the end of the period	905	3,608

The condensed notes on pages 14 to 19 are an integral part of the condensed consolidated interim financial report.

Condensed notes to the consolidated interim financial statements 31 December 2013

1 Reporting entity

Delta SBD Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2013 is available from the Company's website www.deltasbd.com.au or upon request from the Company's registered office at Suite 220, 4 Hyde Parade, Campbelltown NSW 2560.

2 Basis of preparation

a) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 30 June 2013. The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2012.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2014.

The Company is of a kind referred to in ASIC Class Order 98/100, and in accordance with the Class Order, amounts in the consolidated interim financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

b) Going concern

The financial report of the Group has been prepared on the going concern basis which assumes that assets will be realised and liabilities extinguished on normal terms and conditions.

The Group recorded a loss of \$30.663 million (including a non-cash impairment expense of \$29.247 million) for the six months ended 31 December 2013. As at 31 December 2013 the Group had negative current assets of \$365 thousand (30 June 2013 positive current assets of \$1.004 million) and positive net assets of \$28.387 million after fully impairing the goodwill balance of \$29.247 million (30 June 2013 net assets of \$59.331 million).

The Group held cash at 31 December 2013 of \$905 thousand (30 June 2013 \$5.934 million). It should be noted that the cash position was impacted by non-recurring restructuring and redundancy costs, with the value of employee benefits in the six months ended 31 December 2013, reducing by \$2.9m (\$6.9m to \$4.0m).

The December 2013 loss is attributable to the challenging environment in the Australian Coal Mining industry which has led to a contraction in the group's revenue. A decision in October 2013 by a client to transition the Berrima mine to care and maintenance further impacted the revenue for the period.

Condensed notes to the consolidated interim financial statements 31 December 2013

2. Basis of preparation (continued)

The Directors have prepared detailed cash flow forecasts for the period to 30 June 2014 to evaluate the impact of the recent trading conditions and debt structure on the expected future performance of the entity. Those forecasts indicate the following:

- further attention is needed to ensure our operations are competitive, to secure additional work, providing greater certainty over our medium to longer term business pipeline
- additional scrutiny on our costs to operate, to lift our profitability without compromising the pipeline of work and future opportunities
- restructuring of certain debt arrangements to alleviate short term repayment requirements, and
- a need for additional working capital financing facility, starting as early as March 2014.

Despite the financial statements as at 31 December 2013 showing a net current liability and net loss position, and the challenges with our cash flow forecasts, they have been prepared on a going concern basis due to the following reasons:

The Group has implemented a more competitive position by reducing charge rates to clients resulting in both an extension of some existing contracts and the successful award of new contracts. This has included securing the following additional work (which will be undertaken in the six months ending 30 June 2014):

- Illawarra Coal Area 9 major civil work at their Appin mine
- New longwall projects at the Astar, Ulan West (including equipment) and Tahmoor mines
- Recurring longwall project work at the Wambo, Narrabri (including equipment), Blakefield and Broadmeadow (equipment only) mines
- A significant increase in equipment utilisation

The actions to achieve a more competitive position, while balancing the underlying profitability and quality of our operations, included a strong focus on operating costs, in particular the following elements of our operating model:

- Restructuring of the management team to significantly reduce overhead expenses and head count
- Reduction in labour costs and/or margins
- Additional cost reduction initiatives

The Directors will monitor closely the impact of these modifications with an eye to ensuring long term erosion of our profitability does not occur.

The Directors acknowledge that certain of the Group's debt arrangements required restructuring to alleviate short term repayment requirements. Resulting from this assessment, the following has been actioned:

- Fully repaid certain higher cost asset based funding resulting from the sale of one of the group's continuous miners
- Refinancing of certain equipment, resulting in lower cash outflows required to service the debt by application of an associated security deposit.
- Reducing the balance owing of unsecured shareholder loans through the Dividend Reinvestment Plan

Condensed notes to the consolidated interim financial statements 31 December 2013

2. Basis of preparation (continued)

Finally, to address the Group's ongoing cashflow requirements negotiations for a new invoice finance facility are progressing. The current facility has a limit of \$2.5 million and there was no amount drawdown against this facility as at 31 December 2013. This current facility will be closed in the event that a new facility is established. The Group's major shareholders have given a commitment to provide such a facility with a limit of \$3.5 million at market terms and conditions. This facility is subject to board approval and will only be established in the event that negotiations surrounding the following facility cease.

As at the date of issue of this financial report the Group has accepted indicative terms and conditions from an external financier for an invoice finance facility for \$4.65 million. The finalisation of the facility and execution of the agreement on the indicative terms and conditions offered is subject to the external financier completing due diligence procedures. The directors are of the view that the due diligence procedures will be satisfactorily completed and the \$4.65 million facility will be established during March 2014, in sufficient time for the first drawn down need.

The cash flow forecasts prepared to 30 June 2014 indicate that either of these new facilities will be adequate to meet the Group's ongoing cashflow requirements based on predicted revenue levels.

Further to the above actions and plans, the Group continues to negotiate with finance providers to extend the repayment terms of other existing equipment finance arrangements, and is considering a capital raising via the issue of new shares.

If the due diligence procedures for the externally provided invoice finance facility are not satisfactorily completed, the adequacy of the shareholder provided facility of \$3.5 million, should it be approved by the board, will be conditional on achieving predicted revenues levels and appropriately managing the volume and profitability of the business. Should this not be achieved and the Group is unable to restructure existing equipment finance arrangements or raise additional capital, the Group may not be able to continue as a going concern. The multiple conditions described represent a material uncertainty around the Group's ability to continue as a going concern.

The directors are of the view that these events and conditions will be met in sufficient time frames to enable the Group to be able to pay their debts as and when they fall due, and therefore the going concern basis of preparation of this financial report is appropriate.

Had the going concern basis of preparation not been used, adjustments would need to be made relating to the recoverability and classification of certain assets and the classification and measurement of certain liabilities to reflect the fact that the Group may be required to realise its assets and settle its liabilities other than in the normal course of business and at amounts different from those disclosed.

c) Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013.

3 Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2013.

Condensed notes to the consolidated interim financial statements 31 December 2013

4 Operating Segments

Identification of reportable segments

The Delta SBD Group has only one segment being underground mining services. This includes the whole of mine operation, labour hire, equipment hire, longwall relocations and support, roadway development, conveyor installations and maintenance and mine services.

The following table represents revenue and profit information for the reportable segment for the half-years ended 31 December 2013 and 31 December 2012.

In thousands of AUD

Operating segment

Half-year ended 31 December 2013

Revenue	\$35,351
Net (loss) after tax as per condensed consolidated interim statement of profit or loss and other comprehensive income	(\$30,663)

Half-year ended 31 December 2012

Operating segment

Revenue	\$73,803
Net profit after tax as per condensed consolidated interim statement of profit or loss and other comprehensive income	\$5,232

5 Cash and cash equivalents

In thousands of AUD

Cash

Consolidated 31 Dec 2013	Consolidated 30 June 2013
905	5,934

6 Property, Plant and Equipment

During the six months ended 31 December 2013, the Group sold a continuous miner at a loss of \$479 thousand. The sale reduced debt and will provide future savings in interest. This continuous miner had not been utilised since March 2013.

Condensed notes to the consolidated interim financial statements 31 December 2013

7 Impairment

Following the operating loss within the group's one cash generating unit during the six months ended 31 December 2013 together with downgrades to future revenue as a result of the current sector downturn an impairment loss of \$29.247 million has been recognised. This impairment loss was allocated fully to goodwill reducing the goodwill to nil and is included in the impairment expense in the condensed consolidated statement of profit or loss and other comprehensive income.

The recoverable amount was based on value in use. Value in use was determined by discounting the future cash flows expected to be generated. Value in use as at 31 December 2013 was determined similar to the 30 June 2013 goodwill impairment test and was based on the following key assumptions.

- cash flow projections cover an initial five (5) year period and are based on maintaining assets, actual operating results, budgets and market announcements regarding expected growth. The budget is based on contractual obligations where appropriate and then expectations of growth based on external and internal views of the sector. The current downturn in the coal and services sector is reflected in the budget.
- beyond this five (5) year period a long term growth rate of 3% into perpetuity was determined based on management's estimate of the long term growth rates applicable to the mining services industry;
- a pre-tax discount rate of 19.2% was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on Delta SBD's weighted average cost of capital within the mining services sector, the current risk free rate of return based on using a two year average 5 and 10 year government bond rate (which reduced during FY13) adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the CGU; and
- the values assigned to the key assumptions represent management's assessment of future trends in the mining industry and are based on both external and internal sources including historical data.

Following the impairment loss recognised in the Group's one CGU, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

Condensed notes to the consolidated interim financial statements 31 December 2013

8 Share capital

In thousands of AUD (except for shares)

	Consolidated 31 Dec 2013	Consolidated 30 June 2013
a) Share capital		
Authorised, issued and fully paid up ordinary shares	38,592	38,036
b) Movements in shares on issue		
	Consolidated 31 Dec 2013	
	No. of shares	\$000's
Beginning of the period	46,518,766	38,036
Dividend reinvestment plan	1,109,882	556
Total	47,628,648	38,592
c) Dividends		
The following dividends were declared and paid by the Company: Dividends for the six months ended 31 December. <i>In thousands of AUD</i>	Consolidated 31 Dec 2013	Consolidated 31 Dec 2012
Fully franked final dividend of 1.8 cents per ordinary share (2012: 2.5 cents per ordinary share)	837	1,121

9 Contingent Liabilities

There were no contingent liabilities as at 31 December 2013 except the following.

A research and development expenditure tax audit of one of the subsidiaries of the group was commenced during the interim period. AusIndustry has requested that the subsidiary provide additional information to support the research and development expenditure claim. The subsidiary is currently in the process of compiling these information requests. Should the subsidiary claim ultimately be declined the maximum financial effect is estimated at \$320,000.

10 Income tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2013 was 2.4% (for the six months ended 31 December 2012: 30.3%). The movement in the effective tax rate was caused mainly by the non-deductible impairment expense.

11 Subsequent events

No item, transaction or event of a material or unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity except the following.

To address the Group's ongoing cashflow requirements the Group's major shareholders have given a commitment to provide an invoice finance facility with a limit of \$3.5 million at market terms and conditions. This facility is subject to board approval and will only be established in the event that negotiations surrounding the following facility cease.

As at the date of issue of this financial report the Group has accepted indicative terms and conditions from an external financier for an invoice finance facility for \$4.65 million. The finalisation of the facility and execution of the agreement on the indicative terms and conditions offered is subject to the external financier completing due diligence procedures.

Directors' declaration

In the opinion of the Directors of Delta SBD Limited ("the Company"):

- 1 The interim financial statements and notes set out on pages 9 to 18, are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the six month period ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Gordon Galt
Chairman



Stephen Bizzaca
Director

Dated at Campbelltown this 28th day of February 2014



Independent auditor's review report to the members of Delta SBD Limited

We have reviewed the accompanying interim financial report of Delta SBD Limited (the Company), which comprises the condensed consolidated statement of financial position as at 31 December 2013, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows for the half year ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group, comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Delta SBD Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Delta SBD Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern.

Without modification to the opinion expressed above, we draw attention to Note 2(b) to the interim financial report. As a result of the matters described in Note 2(b) there is a material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

KPMG

Richard Drinnan
Partner

Wollongong

28 February 2014